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No. 1939

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BENEFITS OF GAS, OIL TRADE WITH SOVIET UNION DISCUSSED

Prague RUDE PRAVO in Czech 7 Aug 79 p 6

[Article by Stanislav Oborsky, Moscow correspondent for RUDE PRAVO, and Rudolf Nittmann, Moscow correspondent for PRAVDA: "A Conversation About Oil, Gas and Trade--But Mostly About Friendship; The Foundations for a Bright Future"]

[Excerpts] For a number of weeks now the energy crisis has once more become front-page news in the capitalist countries. Even the least optimistic of the predictions of bourgeois economists have collapsed like a house of cards under the pressure of this crisis. The forces unleashed by the energy crisis have shaken the political foundations of capitalism and are causing a crisis of confidence in the Western way of life even among those who have sought to reinforce its "values."

More Than Just Trade

"Just stop and think for a minute what it would be like if we were able to buy oil and gas only from the capitalist countries," said comrade Misovsky. "Do you know what we would be then?"

We knew the answer to this question, and it did not take us very long to figure it out.

Fortunately, however, we meet all of our domestic demand for natural gas and nearly one hundred percent of our demand for oil by means of deliveries from the Soviet Union.

Yes, let's talk about oil and gas first; the file records of our trade councillor reveal a 30-year history of deliveries of these major fuels, and, most importantly, of chemical raw materials.

During the period between 1948 and 1978 Czechoslovakia imported more than 187 million tons of oil from the Soviet Union. To start off with, during the immediate postwar years, these imports grew at a slow pace, but a decisive turning-point occurred after the "discovery of the century," i.e., after the

discovery of the riches contained in the West Siberian oil fields, and in our own country after work was completed on the construction of the "Druzhba" pipeline in 1962; over a span of 16 years 167 million tons of oil have been pumped through this pipeline system!

This year, in 1979, our national economy will receive 18,300,000 tons of oil from the Soviet Union, and, next year in 1980, it will receive 18,800,000 tons. Recently oil deliveries have been increasing on the average by a half million tons a year during each year of the current Five-Year Plan. This basic volume of oil imports was arrived at under the terms of a long-term trade agreement and two special credit contracts.

"So much for the figures on our oil imports," said comrade Misovsky, "but, you know, it is impossible for these figures to reveal to us that fact which is most important, and even though I am one of those levelheaded businessmen, as we are sometimes called, I would even go so far as to say that this is an exciting piece of information....Just look at what is going on. The world price for one ton of oil now hovers at around 174 dollars. This translates into 113 rubles. But this year we are getting this oil from our Soviet comrades at 60 percent of the world price...! And this is in addition to the large deliveries which we are receiving as payments on credits taken out at prices that date as far back as to 1966. We have always bought oil from the Soviet Union at a much cheaper price than that set by the international market. Just take a minute to add it up for yourself how much money our republic has saved from this arrangement and how many billions of korunas it was also able to invest in our own national economy! At the same time, no one would have the right to criticize the Soviet Union if it decided to sell its oil at world prices to the socialist countries as well; this would be entirely in keeping with current international trends. You have seen the conditions under which oil is being produced in West Siberia, and you know that this oil cannot be squandered even here. The costs of producing this oil are growing constantly, but our Soviet comrades are still offering us this oil at a price that is much lower than the world price. This is an example of their direct, fraternal and internationalist assistance to the socialist countries; this is a manifestation of their genuine friendship toward our peoples. And this is something that no one can ever overlook."

Some equally persuasive facts about the advantageousness of our position as import customers can also be cited in the case of natural gas. During the period 1967-1978, that is, over a period of 12 years, we received a total of 30 billion cubic meters of natural gas. During the current Five-Year Plan these deliveries will amount to more than 30 billion cubic meters, and during the next Five-Year Plan spanning the period 1981-1985 these deliveries will come to nearly 42 billion cubic meters of this blue gold. Once more under very favorable terms. In passing it should be noted that the Soviet Union's reserves of natural gas are so large as to defy comprehension. But the production volume of this natural gas will go up sharply, and this is something we should not forget.

Our investment in the construction of the Soyuz gas pipeline and the transit gas pipeline that runs through our country is already making a very significant contribution to the sharp upsurge in deliveries of natural gas to Czechoslovakia. We are receiving a very rapid and efficient return on our invested financial and material resources in the form of the billions of cubic meters of this outstanding fuel and raw material for our chemical industry.

All of these deliveries, prices, time limits and so on are of course spelled out in agreements and protocols which have their stringent, realistic and, in short, businesslike dimension. But on reading these documents one can at the same time perceive that all of them are taking into account the vital interests and needs of the partners concerned--the development of a socialist country and the well being of its people.

But is this then still international trade in the traditional or even millennial sense of that term?

It certainly is trade, smiled the commercial councillor, but it is our own brand of socialist, internationalist trade. It is the kind of trade which a capitalist would never accept or understand....

A Digression on the Subject of the Tyumen Oblast

It was only natural that during the course of our conversation we should make mention of Western Siberia, especially the enormous Tyumen Oblast. The discovery of the century, which elevated the Soviet Union to a position where it ranks among the world's leading oil producers and which constitutes a solid foundation for the long-range growth of the Soviet oil industry, was made in a land filled with tends of tens of thousands of lakes, boundless seas of mud, bloodthirsty mosquitoes, taigas, minus-50-degree temperatures, and totally uninhabited expanses. These utterly atrocious natural conditions hindered the progress of geological survey work and the construction of oil wells. The construction of new settlements and towns, roads, rail lines and so on was very complicated and costly.

During the initial phase of the exploitation of these oil fields production work was necessarily concentrated in the vicinity of existing towns, settlements, and lines of communication. But the local oil boom and the need to discover new reservoirs of oil and natural gas are leading geologists, drilling crews and oil workers further afield into the wilderness, especially toward the north and often as far as the Arctic Circle itself. The new reservoirs that are being discovered in this area are also confronting the oil workers with more complex tasks. While in 1975 2.8 million meters worth of well holes were drilled in these areas, in 1979 it is necessary to drill as much as 7 million meters north of well holes, and next year it will be necessary to drill more than 10 million meters of well holes in order to meet the targets set by the oil and gas production plan. At the same time, transportation

arteries are growing longer. It is absolutely essential that new towns and settlements should be built in the taiga and tundra zones. All of this serves to raise the costs of producing one ton of oil. Suffice it to say that, working under extremely difficult weather conditions, it is now necessary on an annual basis to build more than half a million square meters of livable housing floor space....

The price of oil cannot be brought to a standstill, and this is something we have to take into account. Nevertheless, our Soviet comrades will continue to supply oil to the socialist countries under terms that are much more advantageous than those offered by the western market.

What We Have to Offer

It is well known that Czechoslovakia's exports to the Soviet Union, exports which we also rely on to pay for our imports of oil and gas, consist mostly of goods manufactured by the engineering industry, i.e., that branch of our economy which enjoys a long-standing tradition. The spectrum of goods produced by this industry is very broad indeed, ranging from complete large-scale capital installations, ships, diesel-electric locomotives, and trucks to machine tools and medical instruments. In addition, we also supply pipes, communications equipment and many other kinds of goods, including consumer goods.

This amounts to an all-round advantageous export-sales product mix. And in those cases where our products meet world standards the Soviet Union pays for these goods at prices that are accepted throughout the world and it is not unusual that they will sometimes even pay higher prices. For example, the price paid for a modern 3000-class four-high rolling mill, a massive broad sheetmetal rolling mill, was 167 million rubles higher than the price of a 3600-class four-high mill supplied a few years ago and in the same weight class.

This is just one of the facts which proves that wherever we specialize in producing goods tailored to meet the needs of the Soviet market we will win for ourselves almost limitless opportunities for spurring the growth of our industry. Not to mention the financial opportunities. Any new capital investment project that is undertaken in response to this kind of specialization drive would more than pay for itself very handsomely.

But in our conversation we were talking almost exclusively about oil and gas. And also about the outlook for imports of these vitally important raw materials.

The construction of the transit gas pipeline in our own country attests to the fact that we have the wherewithal that enables us to make an effective contribution to the construction of gas and oil pipelines in the Soviet Union;

this would not only help the Soviet Union to accelerate its own program for the construction of an underground pipeline network, but would also give us the chance to import additional tons of oil and gas from the USSR. In recent years the understanding and goodwill of the Soviet authorities has been making it possible for us to gain a larger share of that country's oil and gas export market in connection with our assistance in the construction of power-generation facilities, petrochemical combines and other capacities which play a large role in the fuels and energy balance of the Soviet Union, Czechoslovakia and the other socialist countries.

The capitalist world goes on wallowing in its energy crisis. But the socialist community, a community of internationalist cooperation, is able to look forward to a bright, stable and long-term future of economic growth. It has every right to do so, since the mainstay of our community is the Soviet Union.

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CAPITAL INVESTMENT PROGRESS REVIEWED

Prague PLANOVANE HOSPODARSTVI in Czech No 7, 1979 pp 72-79

[Article by engr. Ivo Huzvar, State Planning Commission: "On the Problems of Fulfillment of Tasks on Essential Construction Projects in the Branches of Fuel, Energy, Metallurgy and Heavy Machinery"]

[Text] "Capital Investment remains one of the most important, but also most demanding parts of the plan. Although we have achieved some significant results in this area, we cannot be satisfied with the current situation. Departures from the planned structure of investment are duplicated in the implementation of the plan. We made little progress in improving the efficiency of expended resources. In a number of cases, construction deadlines and the deadlines for start-up of operations are not being adhered to.

The start-up of our facilities is considered to be the basic purpose of the investment plan. To date, we have not succeeded in focusing the attention of all levels of management to this final part of the investment cycle". (From the announcement of the presidium at the 12th session of the CPCZ Central Committee.)

Viewed in the light of this statement, the 12th session of the CPCZ Central Committee criticized some of the shortcomings in the construction task fulfilment, delays in reaching full production capacity, and dilatory completions of construction projects. Obviously, we cannot only complain of shortcomings: there is a number of good examples of cooperation and improvements in management both by those involved in the construction directly and by their supervisors. This is reflected in closer adherence to the construction schedules both in quality and quantity of the work.

Let us take a look under the criteria established by the 15th Congress of the CPCZ and the 12th plenary session of the CPCZ Central Committee concerning the main development goals of the national economy, and the CSSR Government Decree Number 288/79 regarding the federal implementation plan

for 1979, how the tasks were being fulfilled during the first part of this year in two key sectors of our national economy, specifically, in the branches of fuels and energy and metallurgy and heavy engineering and particularly in completion of the construction and in reaching the full production capacity. As a part of construction designated as key capital investment in the fuel and energy branches, a major part of the construction projects are being accomplished in terms of their total number, the extent of budgeted costs and the volume of investments. In terms of the federal plan this, in itself, gives priority to these branches both in preparation and completion of these construction projects on which we depend in view of persistently tight fuel and energy situation. A similar situation exists in the department of metallurgy and heavy engineering. Of a total of 225 key projects carried out in 1979, 42 percent represent projects of these two branches. This is evident from the table included below.

Branch	Number of basic projects		Volume of construction and deliveries in millions of Kcs.			
	1	2	3	4	5	6
Total projects	225	100	26,038	100	14,023	12,015
fuel	38	17	4,543	17	3,022	1,521
energy	17	7.5	4,239	20	2,483	2,756
metallurgy	27	12	3,945	15	1,169	2,776
heavy machinery	11	5	378	1	173	205
Fuel Ministry of Fuels & Energy + Federal Ministry of Metallurgy and Heavy Machinery	93	42	14,105	54	6,847	7,258

key: 1, total; 2, percent; 3, total; 4, percent; 5, construction work; 6, machines.

These projects represent, in comparison with the overall volume of investment on construction projects designated as essential projects in 1979, 17 percent in the fuels branch, 20 percent in the energy branch and 15 percent in metallurgy of the planned annual projects in this category of construction.

The federal implementation plan in these branches set the completion and start-ups in 1979 at 17 construction projects and 22 installations. Among the key installations, which are to be committed to experimental operation this year are, for example:

- compressor stations of the second stage of the gas pipeline;
- the second unit of the V-1 Jaslovske Bohunice nuclear power plant;
- a boiler with an output of 100 gigacalories per hour in the Kosice II heating plant;
- billets for AK [stainless steel ?] pipes in the Kladno United Steel Works, National Enterprise (SONP), Poldi;
- blooming and billet mill line in the Poldi II factory SONP;
- increasing production of AK pipes in the Chomutov tube rolling mills and iron works (VTZ);
- second and third unit construction of the central oxygen plant in the Kuncice New Metallurgical Works of Klement Gottwald (NHKG);
- pipe extrusion [mill] at the Podbrezova Svermova ironworks;
- pipe [cold] drawing [mill] at the Podbrezova Svermova ironworks;
- Skoda Plzen, reactor hall;
- Expansion of the Prague factory of Modranska machine works;
- Separators and similar [equipment] at Tlmace Slovak Energy Machine Works.

In the interest of further qualitative improvement of direct management ongoing construction in individual [key] building projects and the assurance of more efficient routine controls of actual plan fulfillment, intermediate progress deadlines for completion of [certain] key activities effecting the successful start-up of plant trial operations have been announced for the first time in 1979. At the same time, the plan imposes on all suppliers the requirement to concentrate their resources on completion of construction projects and plants and to pay particular attention to timely completion of those in the areas of fuels and energy. In spite of the enumerated measures and conclusions from the discussions of party and federal authorities to ascertain economic development of our national economy, a number of contractors have interpreted the task of concentrating the effort on successful realization of key construction projects in their own way. Already at the beginning of 1979, in the so called second round of contractor-consumer relations [DOV], some of the contractors began to

ask for lowering of the scheduled tasks on certain construction projects giving various reasons. This occurred, for instance, on the following projects: the V2 Jaslovske Bohunice nuclear power plant; the Trinec Iron Works [Trinecke Zelezarny] of the Great October Socialist Revolution, fourteenth KB [expansion unknown]; the Ostrava Vitkovice Iron Works of Klement Gottwald (VZKG), lengthening of hall VI; renovation of the Liskovec bridge construction plant; central oxygen plant of the Ostrava VZKG; certain projects of the Konzorcium [syndicated] transit gas pipeline, and others. Contractors did not ask for adjustment of tasks in the fulfillment of deliveries for construction projects over Kcs 2 million.

This means then, that this approach would not lead to an increase in effort at construction projects established as essential, but to a shift of the volume of work and deliveries from this category of construction projects (the highest priority in capital investment) to the centrally considered and so called "other projects". Such attempts, therefore, have been unequivocally rejected by the Federal planning Commission and the FMTIR [Ministry of Technological and Investment Development]. At the same time it remains, that in accordance with the organizational measures in the federal plan, the contractor head-office could, after agreement with the investors, carry out minor and undisputed changes in the volume of projects and deliveries prescribed by the economic plan under conditions established in organizational program of the plan.

Fulfillment of Tasks from January to April of This Year by Volume

In the majority of construction projects established as essential, and this is also true in the construction projects of fuels and energy, metallurgy and heavy machinery branches, the cooperation of investors, contractors and designers has, in many instances, a tendency to improve and the problems which have arisen in the realization of a construction project are resolved in time. In such cases, the fulfillment of tasks also corresponds to the established construction work schedules. Included in the construction projects where the fulfillment of tasks for the past four months of this year is at a relatively good level and where the conditions are being created for at least 50 percent fulfillment of the tasks for the first half of 1979 (in relation to the tasks for the annual plan), are these projects:

	Actual plan fulfillment in percent on annual basis	
	first quarter 1979	first four months 1979
SHR [North Bohemian Lignite Basin] Mercury II open-pit mine, second project	32	40
Open-pit mine of the Czechoslovak Army, second project	36	49

	Actual plan fulfillment in percent on annual basis	
	First quarter 1979	First four months 1979
Most open-pit mine, second project, first stage		38
Maxim Gorkij Open-Pit Mine, seventh project	24	32
Brezno Open-Pit Mine, third project, intensification	43	62
Chabarovice Open-Pit Mine, third project, first stage		
Dalesice hydroelectric plant	40	63
Holesovice switching station	35	39
Konzorcium transit gas pipeline, line section, CSR	19	
JE--V-1 Jaslovske Bohunice [nuclear power plant]	19	35
Kladno SONP, production of billets for AK [stainless steel ?] pipes	44	56
Chomutov VTZ, increased production of AK pipes, first and second project	22	37
Ostrava VZKG, renovation of firebrick factory		67
Kuncice NHKG, central oxygen plant, first project	81	99
ZD--Bohumín [Iron and Wire Plant], cord wires		32
TZ--Trinec [Iron Works of the Great October Socialist Revolution], oxygen converter steel plant, first stage	19	35
SZ--Podbrezova [Sverma Iron Works], pipe extruder	39	44
SZ--Podbrezova [Sverma Iron Works], cold draining pipe plant, second project	26	33
VSZ--[East Slovakia Iron Works] continuous slab casting	15	37
SES-Tlmace [Slovak Power Generating Machine Plant?] hall IV, separators		85

Even considering the unfavorable conditions in the securing of fuels and energy at the beginning of this year, which influenced the fulfillment of tasks at several construction projects, I still think that the causes of the slow progress in several construction projects must also be blamed on other areas, especially on direct management of the construction projects, [lack of] timely resolution of difficulties, both by the parties involved in the construction and by their supervisory and central authorities. Among the construction projects where we cannot be satisfied with the current completion schedules and where problems remain in meeting of the progress deadlines and in the material and quantitative support of the planned tasks, are the following:

	Actual plan fulfillment in percent on annual basis	
	First quarter 1979	First four months 1979
SHR--[North Bohemian Lignite Basin], J. Fucik mines, M. Gorkij open pit mines, fourth project	17	21
Nejedly mine, mine construction, second project Rtyne	12	18
KD--Kladno mines, Nejedly mine, third project Rtyne	3	5
[SHD--[North Bohemian Lignite Mines] Transport of fuels to EPRV II construction, first stage	9	11
SHD--Merkur quarry, third project, first intensification stage	13	21
LAB [expansion unknown] underground storage container, second project	10	11
JE--Dukovany V-3 [nuclear power plant]	8	12
PE--Prumetov II [steam power plant]	9	16
Dlouhe Strane PVE, [expansion unknown] preparatory work	10	15
Trmice III TP [trust of enterprises?]	5	6
Brno North II TP	16	17

	Actual plan fulfillment in percent on annual basis	
	First quarter 1979	First four months 1979
Holesovice III TP	7	15
Michle II TP	8	9
JE [nuclear power plant?] V-2 Jaslovské Bohunice	14	19
Kosice II heating plant	6	7
Kuncice NHKG, medium size section mill, third stage	10	14
Ostrava VZKG, expansion of boiler shop		25
Kuncice NHKG, medium section mill, first and second stage	19	26
Ostrava VZKG, raw material basis		16
Kuncice NHKG, central oxygen plant, second project	7	9
Ostrava VZKG, central oxygen plant, third project		14
Hlohovec wire mill, production of wire cords II		19
Zavadka Sigma, expansion of production base		26

Several Problems in the Material Security of Construction of Individual Construction Projects

Jaslovské Bohunice and Dukovany Nuclear Power Plants

At the present time, three nuclear power plants which will fundamentally effect our energy balance with their 3500 megawatts of installed capacity are being built. There is no doubt about the significance of nuclear energy for our national economy. The problem in securing the fuels for the needs of the national economy at the beginning of this year confirmed

that it is unrealistic to depend on additional construction of coal fired power plants. Therefore, in 1978, a CSSR Government Decree No. 221, accepted the concept for construction of nuclear power plants until 1990, with a basically estimated 9,200 megawatts of installed capacity. At the same time, it is assumed that in the Seventh Five-Year Plan only the nuclear power plants JE V-1 and V-2 Jaslovske Bohunice and JE V-3 Dukovany will effect our fuel and energy balance.

Therefore, the federal plan established very demanding goals in these construction projects. The realization of these goals demands close cooperation of all parties to construction and the effective work coordination by the investment organizations. It is also necessary to consider the fact that the preparations for these power plants are taking place under relatively complicated conditions of cooperation with foreign partners, both in the area of design and in securing of technology; nor does the completion get by without granting of some exceptions. It is necessary to carry out a large volume of construction under short deadlines which leads to large concentrations of workers [at the same time], requiring a high degree of work organization.

An unfortunate problem is that not all contractors are approaching the construction of a nuclear power plant in the way demanded by the extraordinary conditions of preparation, construction, and project importance from the viewpoint of our national economy. They often condition their participation in construction of these projects with various demands for supplementary deliveries of materials, equipment, and construction personnel; they ask for various concessions, above average priorities, etc. When we realize that they do not make similar demands in the construction projects with lower priorities and less importance, the question presents itself, how is it possible to secure the unobtainable materials, equipment, construction personnel, installers and other necessary specialists, transportation, etc. for other construction projects, but not for the most important ones in the national economy. Here everything is demanded over and above the framework of indicators and resources set by the state plan. Although, it cannot be said that all contractors act this way, one cannot say that such actions are exceptional in securing construction of the most important projects under capital investment [plan]. The current preparation and on-going construction of the V-2 Jaslovske Bohunice and V-3 Dukovany nuclear power plants indicate that a complex situation pointing to the possibility of further shortfalls has come up. Therefore, the ministers and deputies of the relevant ministries involved, deputies of the chairman of the Federal Planning Commission, the Czech Planning Commission, and the Slovak Planning Commission undertook, at their discussions in February and March 1979, a series of measures which have created conditions for a positive development. These problems, together with the overall implementation report, were presented as an independent report for discussion by the CSSR government. The strict and punctual fulfillment of the accepted provisions, agreements and goods at the individual management levels will be an essential and basic condition for further stages of construction of both nuclear power plants.

The situation in construction of the V-1 Jaslovske Bohunice nuclear power plant is relatively more favorable. The first electric unit was given a trial run at the end of 1978 and at the present time it is working at scheduled operational capacities. It is expected that the second unit, which was to have undergone a trial run in the second half of 1979, will be tested at the start of 1980.

Construction of Transit Gas Pipeline

While the planned goals in the line section of "Konzorcium" are being attained both in terms of material and by volume, the construction of the second stage compressor stations is much less favorable. Both, on the territory of the CSR and SSR, there are significant problems in assuring construction arrangements for installation of technical equipment. Shortfalls in preparatory construction are causing the deadlines for the start-up of the three turbo-sets in the CSR and four in the SSR, which are to undergo trial runs in the second half of 1979, to be seriously threatened.

Maxim Gorkij Open-Pit Mine

The current results in the plan fulfillment of the 7th construction project of the Maxim Gorkij Open-Pit Mine suggest that it is not necessary to adopt extraordinary measures for further progress. The construction personnel will meet intermediate deadlines.

There is a somewhat different situation at construction project number four, where a discrepancy is delaying the completion of the project--the extension of the transformer station. Outside of the delivery of the third stage conveyor belts from Ostrava VZKG, the intermediate deadlines are not being complied with.

One of the main problems at the construction project, however, is the operation of the K 10,000 excavator, which is not operating at expected performance level at the present location; although the situation has improved greatly in comparison with 1978. The adjustments which have been carried out on this equipment to date do not have the character of a basic overhaul which would increase reliability and capacity, but rather [temporary] stopgap repairs.

Steam Electric Power Plants

At the Melnik III power plant, significant problems hinder especially the construction progress. During the first four months of this year only about 26 percent of the planned annual work has been accomplished. A report has been prepared for the CSSR government concerning the progress and current problems in the construction of certain facilities. An overall increase of the budgeted costs for the construction project is being prepared because of some modifications, especially of the boiler unit.

Peiner 2000 crane breakdown in May of this year also effected the construction progress. While a way of eliminating this serious defect is being studied, it is causing changes in intermediate deadlines of actual meeting of the plan requirements.

The construction of the Prunerov II steam power plant is being accomplished by Polish facilities as a turn-key project. Despite this method of realization, the progress of construction has been accompanied by a number of serious problems. That is why, during the period January to April of this year, there has been very low fulfillment of the planned annual tasks both in construction (15.5 percent) and equipment deliveries (less than 17 percent). In comparison with a similar construction of a Czechoslovak 200 megawatt units, the progress of construction by the foreign contractor from the Polish People's Republic appears to be significantly delayed. Not even the steel structure for the first boiler frame was erected to date. The progress of the engine hall construction is lagging and practically, only the rough construction for the chemical water-treatment plant has been assembled. The current rate of progress means that the Prunerov II power plant units will not be in operation within the contracted time period. In the Czechoslovak share of the deliveries, there are serious problems in completing the pumping stations and assuring erection of the water reservoir framework.

Kuncice NHKG, the coke oven battery No. 11, is one of the projects for which the federal plan established the trial run for 1979 and the construction to be fully completed in the same year. This goal, however, will not be attained.

The many problems and shortcomings at the construction site are, for some time now, being reflected in a relatively high increase in budgeted costs (Kcs 366 million overrun). This is being caused by supplementary requests by the investor for equipment for additional structures due to: various supplementary designs based on changes in technical solutions; subsequently submitted requirements by public authorities for inclusion of additional structures into the aggregate construction project budget; changes and requests by the contractors, etc. Yet, the planned goals at the construction project are not being met. During a four-month period of this year, only 13 percent of the planned annual construction has been completed.

The subject matter concerning problems in the progress of the construction project and the increases in budgeted costs is now being prepared for discussion by the CSSR government authorities. The current rate of progress also shows that the cooperation of the parties involved in construction and their direct management of the project are not without shortcomings. In spite of this, neither the principles of the contractor nor their central organization do analyze the shortcomings in the area of construction management, or other shortcomings of the project in their respect to the government, even though their subordinate organizations are the key suppliers of technology.

In view of these problems and shortcomings, it is expected that a coking facility with a capacity of 1,162,000 tons per year of output will be operational with a two year delay, that is not until 1981.

Kladno SONP, Poldi

The completion of the construction project for expansion of the production of billets for AK pipes will increase the capacity by 25,000 tons per year. The main problems with the construction project, which was planned for completion in 1979, are in deliveries of the arc furnace and a transformer. The investor, his principals and the trade organization, are taking measures and carrying on discussions with the Polish People's Republic so that the slippage in deliveries will be as small as possible.

There are also problems in the securing of deliveries from domestic suppliers, and this in both construction work and technology. Construction is about three weeks behind [schedule] because of insufficient capacity of the general contractor for the construction project. In technology, there are serious deadline problems in obtaining foundry ladles from the VZKG, where the intermediate deadlines are not being met. It is possible, therefore, to expect, that as a result of these problems, the facility trial operations will be delayed by three to four months as against the established deadline.

The blooming and billet mill is one of the key facilities which, in accordance with the decisions of the 15th Congress, should become operational within the current Five-Year Plan. The initial rate of progress in the construction of the mill was very good. Significant problems, especially in completion of construction jobs, began to appear in 1978 and 1979, when the supplier exhausted both the original and the extended limit on the bringing in [additional] construction personnel.

Intermediate deadlines at the construction project are presently not being met. It is especially the preparatory work for the erection of the framework for the transformer station, such as foundations in front and behind the billet line, and the foundations of the billet line itself; in addition, the deadlines for erection of the framework technology at the blooming and billeting mills are threatened. Preparatory work for the installation is not finished because the general contractor of the construction project did not assure that the necessary number of workers would be available. At the construction project there was a shortage, at the end of May, of about 360 workers, about half of these carpenters and scaffolding erectors, although the contractor signed the schedule of construction agreement, DOV [supplier-consumer relations] for 1979, as well as the intermediate deadlines. Instead of concentrating his effort and that of his principals and the central authorities at fulfilling assumed and agreed upon deliveries in such a way that the required personnel be either brought in or shifted from other enterprises or construction projects or something to that effect, they are again submitting suggestions of importation of personnel from the Polish People's Republic.

This situation seriously threatens the deadlines for the start up of operations in those facilities and the current situation does not even make it possible to estimate substitute deadlines for completion. The situation is also very unfavorable because a relatively significant amount of technological [material] deliveries which has already been made to the construction site cannot be assembled since preparatory work has not been finished. From the preceding, it should be obvious why I have concentrated in my article more at the problems and shortcomings in the completion of construction projects and less at the good examples where I limited myself only to their enumeration. Judging the overall situation in the assortment of construction designated as key projects then it is possible to say clearly that there are many projects with good rate of construction progress, with good examples of cooperation by the parties involved in the construction, with good coordination of activity at the building site and with a good approach to assuring the actual plan fulfillment.

The goal of my contribution was to point out problems and shortcomings concerning the steps which were accepted by the highest party and government authorities towards the improvement of the situation in capital investment, especially in the completion of facilities and construction projects. The reality at several construction projects is that these measures have not consequently and everywhere penetrated the management activity. But we do have to realize that neither the central authorities, the middle management levels, nor the lowest management levels chuck their responsibility for the progress of construction; that several currently persisting problems and shortcomings must be solved quickly and only in the cooperation of the investors, contractors and designers. These problems must be resolved efficiently, so that unity of the parties in the mutual progress in construction, with the goal of achieving the planned goals, is achieved. Only then will it be possible to say in an evaluation of the 1979 results, that everything was done to fulfill the goals established by the federal plan and by the decisions of the Twelfth Plenary Session of the CPCZ Central Committee.

9276

CSO: 2400

STATE OF ECONOMY THROUGH JULY UPDATED

Prague HOSPODARSKE NOVINY in Czech 17 Aug 79 p 2

[Report by the Federal Statistical Office: "July 1979"]

[Text] During July the January shortfalls in industry were reduced by approximately 300 million korunas; in the construction industry, the shortfall with respect to the plan remained approximately what it was at the end of June despite an increase in the construction growth rate. In public freight transport the January shortfall was reduced by over a million tons of freight. A high growth rate in retail turnover was registered by the major commercial systems in July. In foreign trade, imports (and primarily those from nonsocialist countries) rose more in comparison with last July's figures than did exports. The economy in July was affected by there being one more day of total available work time than there was in July 1978.

From the beginning of the year through the end of July, 56 percent of the year's planned task for gross production was completed in industry; 55.1 percent was completed in construction performed with the enterprises' own workers; 55.6 percent (total) in freight transport; 52.5 percent in foreign trade for total exports and 51.6 percent for total imports; and 54.4 percent in retail turnover. There was the same number of work days in the January-July period this year as there was last year.

In centrally planned industry in July the specifications of enterprise plans for gross production were exceeded by 0.8 points, i.e., by approximately 340 million korunas. The number of industrial enterprises not meeting their production goals in July was 175, almost 21 percent of the total number. The volume of gross production was 8.6 percent above the July 1978 level and amounted to over 40.8 billion korunas. Average daily output in industry grew by 3.7 percent in July.

From the beginning of the year through the end of July, industrial enterprises have fulfilled their gross production plans by 99.5 percent. Due to the exceeding of the plan for gross production in July, the January shortfall was reduced by approximately 300 million korunas. At the end

of July this totaled 1.7 billion korunas, equal to the average output of 0.73 days. During the first 7 months of the year, 299 industrial enterprises, 35.2 percent of the total, did not fulfill their enterprise plan for gross production. The total volume of gross production for the January-July period amounted to over 340 billion korunas, which is 3.3 percent higher than it was during the same period in 1978. The increase in gross output for the year has been set at 4.2 percent by the state plan. Of the planned task for this year, 56 percent had been completed by the end of July. The highest rates of growth in gross output from the beginning of the year through the end of June were registered by the following planning groups: heavy engineering, and the rubber, clothing and wood-processing industries.

In the area of sales of industrial products, the portions of the year's state plan are at present lower than they were this time last year for the entire year's actual figures in all areas except the deliveries of machinery and equipment for investment. Deliveries for domestic trade have been below target levels, especially in general engineering, in the production of building materials and in the food industry. In supplies for export to nonsocialist countries, the planned figures have not been achieved in the glass, ceramics and porcelain industry and in the wood-processing and general engineering industries.

In agriculture, grain had been harvested on 20.9 percent of the planned acreage by July 31. Of the total amount reaped, wheat accounts for 63 percent, rye for 2.8 percent and barley for 34 percent. Harvesting is furthest advanced in the West Slovak, Central Slovak and East Slovak regions. Grain purchases are keeping pace with the harvesting. Straw has been gathered from 59.8 percent of the acreage sown. In livestock raising, the plan for purchases of veal and poultry was greatly exceeded by the end of July; it was not met for pork and milk, however. From January to July, meat purchases, including poultry, were more than 31,900 tons over the level of the same 1978 period; milk purchases were 29.6 percent million liters below the 1978 level for the same period, and egg purchases were 39.6 million eggs above it.

In public freight transport as a whole, the planned volume was exceeded by 2.2 percent in July, decreasing the shortfall from the planned figure since the beginning of the year by 1.1 million tons of freight. Total public freight transport rose 4.9 percent above the July 1978 figure; rail freight was up 4.8 percent and CSAD [Czechoslovak State Automobile Transportation] freight was up 4.5 percent. In the January-July period, the planned tasks were fulfilled by 97.5 percent (in rail transport by 97.1 percent and in CSAD by 97.9 percent). During these 7 months, 331.3 million tons of freight were shipped via public freight transport, which amounts to 55.6 percent of the year's plan. The volume of freight shipped by public freight transportation was 0.4 percent lower than it was in the same period last year. The average daily load of vehicular units was 2.1 percent lower than it was in the January-July period last year, and the average trip length for a vehicular unit, in days, was 4.7 percent longer.

In construction, building enterprises using their own workers completed construction in July having a value of 7 billion korunas and thus fulfilled 98.5 percent of the enterprise production plans. The volume of construction was 8.4 percent higher than it was in July 1978, and average daily production was up 3.5 percent. During the January-July period, the volume of construction reached over 45.7 billion korunas, and was 3.7 percent higher than it was for the same 7 months of 1978. By the end of July, 55.1 percent of the year's plan had been fulfilled. Between January and July, the specifications of the enterprise plans for building production were fulfilled by 98 percent. A total of 105 enterprises, 45.1 percent of the entire number, failed to fulfill their production tasks. In contract housing construction, 27,743 housing units have been turned over since the beginning of the year, that is, 5,723 units fewer than had been completed by the end of July last year. During the first 7 months of this year, 32.7 percent of the year's plan was fulfilled, while during the same period last year 41.1 percent of the entire year actual amount was completed.

In foreign trade, total exports grew more strongly in January-July (as compared with last year's figures) than did total imports. By the end of July, 52.5 percent of the year's planned task had been fulfilled for exports (54.2 percent to socialist countries and 49.7 percent to nonsocialist countries); for imports, the figure was 51.6 percent (52 percent from socialist countries and 50.8 percent from nonsocialist countries).

In domestic trade in July, retail sales in the major commercial systems were up 7.1 percent over July 1978; in the commercial network they were up 7.9 percent, and in public eating places they were up 2 percent. The fastest rates of growth in retail turnover this month were achieved in the commercial systems Furniture, Coal, and in department stores. The increase in retail sales in January-July was 2 percent, taking the same period last year as a base, the figure for the commercial network being 1.8 percent and that for public eating places being 3.8 percent. The planned increase in retail sales for the year for all systems is 2.3 percent.

The greatest increase in retail turnover during the first seven months was registered in the commercial organizations Footwear, Restaurants and Cafeterias, and Manufactured Goods. By the end of July, goods totaling 113.5 billion korunas had been sold in the organization of the major commercial systems, and enterprise plans were thus fulfilled by 99.5 percent.

National savings book deposits rose 5.2 billion korunas between the beginning of the year and 15 July, when they totaled over 148.4 billion korunas. Currency in circulation as of 15 July amounted to 39.3 billion korunas.

BASIC INDICATORS OF DEVELOPMENT OF NATIONAL ECONOMY IN JULY 1979

Increments Over Comparable 1979 Period (in percent)

	July	January - July	Federal Plan ¹
Industry:			
Gross production	8.6	33	4.2
Average number of workers	0.8	0.7	0.7 ⁴
Labor productivity	7.7	2.5	3.8 ⁴
Construction:			
Construction work completed with internal resources	8.4	3.7	5.5
Average number of workers	0.2	0.5	0.9
Labor productivity	8.2	3.2	4.6
Housing units delivered by contracting enterprises	-16.6	-17.1	4.1
Procurement:			
Slaughter animals (including poultry)	2.2	3.2	4.1
Milk	0.9	-1.0	3.4
Eggs	3.3	2.7	3.6
Retail Trade:			
Of the main trade systems	7.1	2.0	2.3 ²
Foreign Trade: ³			
Exports to socialist countries	0.6	4.7	7.4
Exports to nonsocialist countries	26.9	11.7	14.5
Imports from socialist countries	12.7	6.2	9.9
Imports from nonsocialist countries	41.3	6.9	12.2

	June	January - June	Federal Plan ¹
Total sales (for organizations included in the federal plan)	3.7	1.5	
Of which:			
Investments	12.4	-2.3	-8.7
Domestic trade	0.4	0.5	4.9
Exports (in the plan)	5.0	1.4	5.0 ⁴
Other sales (including exports outside the plan)	3.8	2.2	
Investment work and deliveries (excluding Action Z and self-help)	1.8	+0.2	2.6
Of which:			
Construction work	2.6	-0.9	6.2
Machinery and equipment	0.7	+1.7	-1.8
National income ⁶	1.6	2.8	4.3 ⁵
Of which:			
Wages ⁶	2.2	3.5	3.2
Actual monetary expenditures ⁶	0.0	0.7	3.1 ⁵

FOOTNOTES

1. Increments compared to actual 1978 results
2. All trade systems
3. Data on actual results refer to actual overall transactions, less actions not planned within the framework of cooperation, unplanned reexport trade operations, barter, joint production trade, etc.
4. Increments compared to the expected results of 1978
5. Including interest for loans
6. Data calculated according to the treasury plan of the Czechoslovak State Bank; data for quarter, half-year, and year according to the PPVO [expansion unknown] balance sheet

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CSO: 2400

CZECHOSLOVAKIA

LAND TRANSPORT URGED AS MORE ENERGY EFFICIENT THAN AIR

Prague LETECKY OBZOR in Czech No 4, 1979 pp 110-112

[Article by Eng Oldrich Churain: "Will the Development of an Express Highway System Affect Air Transport in the CSSR? A Suggestion for Measures to Conserve Fuel and Energy"]

[Text] The shortage of fuel and energy is constantly increasing, and the growing difficulty of obtaining them even at increased prices is leading throughout the world to attempts to conserve and make more efficient use of all energy sources, as well as to better use of energy and a greater understanding of its worth.

Clearly, the situation has not bypassed the Czechoslovak economy, which is extremely dependent on deliveries of precious energy sources from outside. Even though long-term agreements with CEMA countries, particularly the USSR, give us a guaranteed supply of petroleum, gas and electrical energy through the member countries' unified system, this does not mean that we can allow ourselves to be wasteful of energy and fuel. On the contrary, the question of extreme conservation is of top priority today. We should bear in mind that petroleum and natural gas are not only used as fuel and energy sources, but are also extremely valuable raw materials for the chemical industry and thus for a number of other sectors without whose products life would be practically unimaginable.

In accordance with a decision of the Czechoslovak government, the entire national economy is working to prepare a long-term program for conservation of fuel and energy, both through decreasing unit consumption in individual sectors and by replacing one type of energy with another or changing production processes, products used and the like.

Included in the preparation of this program is a requirement to examine the possibility of replacing air transport on certain routes in the domestic transport system, so as to decrease the energy consumption level of domestic passenger transport.

Specific solutions are to be found in the near future for two transport routes: Prague-Brno and Prague-Bratislava. According to plan, the construction of the

continuous D1 highway from Prague to Brno and Bratislava, including access roads at the two latter cities, is to be completed before the end of 1980. A joint socialist commitment of the organizations and enterprises carrying out this important construction project anticipates that construction will be finished by the 53d anniversary of the Great October Socialist Revolution, i.e. at the beginning of November 1980. For motor transport, the highway will mean a great qualitative change, in particular by decreasing the traveling distance between these places and at the same time considerably increasing speed, so that less travel time will be required. Clearly this also creates the conditions for a significant increase in the quality and attractiveness of public long-distance bus transport.

In solving this problem it is essential to keep in mind not only energy conservation, but the main advantages and missions of air transport, i.e. the provision of fast and flexible communications with the requisite quality and amenities. It would not be correct to make use only of the one-sided criterion of fuel consumption without reference to other factors, since such an approach would necessarily lead to an undesirable decline in the quality of domestic transport as a whole. Rather, by comparing all the main factors it is possible to obtain findings that will lead to decisions.

Distance, Time and Price

The primary criterion for evaluating the advantages and disadvantages of the forms of transport being compared is the time factor, i.e. the time it takes for a traveler to reach his destination by mass transport: from the center of the city in which he starts to the center of the city to which he is traveling. A comparison of the current air and express train (Czechoslovak State Railway) timetables with the long-distance bus timetable which is under preparation gives the following results:

	Prague-Brno	Prague-Bratislava
a. Distance in kilometers		
Air transport	257	436
air distance	230	408
bus to and from airport		
Railroad	256	398
Bus	210	324
b. Travel time in hours		
Air transport	2.25	2.35-2.45
bus and boarding	1.00	1.00
flying time	0.50	0.50-1.05
deplaning and bus from airport	0.35	0.40-0.45
Railroad	3.35-4.33	5.21-6.44
Long-distance bus	2.45	4.20

It is quite clear that as regards time, replacement of air by bus transport between Prague and Brno is entirely acceptable. Between Prague and Bratislava, however, the time difference is rather large. Air transport is not replaceable by rail transport on either of these routes. In addition, there is also some interest in the data on transport distance, which comes out entirely in favor of bus transport, especially in comparing the economic results (cost) and, for the traveler, the fare.

Fare (korunas)	Prague-Brno		Prague-Bratislava	
	working day	nonworking day	working day	nonworking day
Air transport	120.00	90.00	180.00	135.00
Rail transport (reserved seat)				
express train, first class	88.00	88.00	107.50	107.50
express train, second class	60.00	60.00	73.00	73.00
Bus transport (reserved seat)	60.00	60.00	99.00	99.00

Fares play a rather fundamental role in the selection of a means of transport, particularly for private travelers, but they are taking on increased importance for work-related travel too in connection with conservation measures. The great price difference between air transport and rail and bus transport, with the current major decrease in the difference in travel time, will unquestionably have a major effect on the traveling public's choice of types of transportation and will shift transport demand from one type to another.

Regularity, Quality and Amenities

Of the three types of transport compared, long-distance bus transport is the most regular and reliable as regards adherence to schedules. In spite of a considerable improvement in recent years, air transport is still somewhat lacking in these respects, particularly because of its high dependence on weather conditions. Recently, rail transport has been the least regular. However, the situation is somewhat different as regards reliable adherence to schedules. Thus while air transport is sometimes interrupted by unfavorable weather conditions or other causes, buses and trains run--although possibly late--and their trips are almost never canceled.

Quality and amenities are best in air transport. This is true for both airports and aircraft. However, a point against air transport is the increasingly complex procedure for checking in and the relatively long times it requires, which decrease the quality of air transport as far as time is concerned. In contrast, formalities have practically disappeared in bus and rail transport, so that boarding and luggage handling are quite simple and can be done immediately before departure. In long-distance bus transport all travel is with reserved

seat tickets, with reservations issued for both parts of a round trip, and there are no standing-room tickets. In the future the bus fleet will be modernized with a new long-distance type equipped with sanitary facilities and other features to make the trip more pleasant, so that bus transport will approach air transport in this respect.

Energy Consumption

Domestic air routes are served by aircraft of models JAK-40, Tu-134A and IL-18. In 1981 the IL-18's will be withdrawn from service as they finish their economic and service lifetimes.

The utilization of transport capacity is in the vicinity of 70 percent, and it is expected to continue at this level.

The average consumption of aircraft fuel, i.e. aviation gasoline, to carry one passenger is:

Prague-Brno	40.46 liters
Prague-Bratislava	65.90 liters.

Long-distance bus routes are served by Czechoslovak-produced buses of types SD 11-2040 and SD 11-2040T, and before 1981 a new model long-distance bus with better characteristics than previously will be available for this purpose.

The average consumption of motor fuel, i.e. automotive gasoline, per passenger on the long-distance bus routes will be:

Prague-Brno	2.78 liters
Prague-Bratislava	4.29 liters.

While decreased distances on the bus routes help decrease fuel consumption, the same distances are in essence short ones for aviation and thus lead to higher unit consumption.

The comparison of fuel consumption is unambiguously in favor of bus transport, since the unit consumption for air transport is 15 times as high in the instances cited.

Presuppositions and Resulting Effect

Comparison of the above individual factors and influences indicates that under our conditions air transport can be replaced by long-distance bus transport on express highways. For the present, in terms of travel time and quality considerations, rail travel cannot offer results which would give it preference in accomplishing a given task. However, replacement of air transport by bus transport is predicated on fulfillment of some basic conditions, i.e. maximum adherence to the assumed travel time (or possible even a decrease in it by the use of new types of vehicles, and provision of requisite travel amenities and services, including issuance of seat reservations sufficiently in advance, including those for return trips, price relationships and the like.

Given these conditions, we may consider that about two-thirds of all the passengers transported by air between Prague and Brno would switch from air to bus travel; this would amount to about 100,000 travelers a year.

For the fuel and power balance, such a change would yield a saving of 3,122 tons of aviation fuel a year as a result of limiting the frequency of flights, while increasing the consumption of automotive fuel by 231 tons a year, along with the introduction of new bus runs. The social effect solely in terms of fuel conservation is 3,122 tons of petroleum fuel, equivalent to 4,590 tons of standard fuel. If all passenger transport were switched from air to bus travel, the fuel saving would be 40 percent higher. At present, this cannot be considered, because in spite of the unquestioned advantages which bus travel offers, particularly as regards cost, it would be impossible to eliminate the continuing demand for air transport, particularly from travelers transferring to or from other domestic or international air lines. Moreover, these would be travelers for whom air travel would remain more advantageous even without transfers.

In addition to the saving of fuel, other positive results could be found by comparing levels of investment, labor required, economic effect and the like; but these cannot be discussed here.

On routes with a greater transport distance, air transport is significantly superior to other forms of transport in both speed, i.e. travel time, and quality. Accordingly we cannot plan on a large change in demand. Here a major role must be played by the price, which can only affect a smaller proportion of the total number of travelers. If these were only 10 percent of all passengers on the Prague-Bratislava route, the saving of fuel would amount to 2,230 tons, or 3,286 tons of standard fuel, a year.

The above examples and facts indicate that latent potential in the use of raw materials and energy sources is everywhere, but it must be constantly pursued, and proper steps taken to realize it. In this connection it is essential to keep the entire society in view and to take all needs and factors into consideration. Decisions must be made in advance, must have all their consequences reflected in mid-range plans and must be worked into the annual plans.

9427

CSO: 2400

PARTY OFFICIAL EVALUATES RESULTS OF HARVEST

Prague HOSPODARSKE NOVINY in Czech No 35, 31 Aug 79 p 2

[Commentary by Zdenek Hoffmann, Deputy Chief of a CPCZ CC Department: "Agriculture"]

[Excerpts] Presently we are approaching the end of one of the decisive stages of the farmers' annual effort, the harvest of cereals. Predominantly areas in higher elevations where the grain is only now ripening remain to be mown.

We may state with satisfaction that in spite of recurring problems with spare parts--which should be seriously taken into consideration by the corresponding supply organizations, especially now after the 13th session of the CPCZ CC which was dedicated to future development of agriculture--the harvest equipment has been essentially well prepared. Its operation has been organized at a good level and has been generally satisfactorily shifted within the scope of the possibilities accorded by this year's unusual process of cereal ripening.

Whenever the weather permitted, it has been possible to gather straw and execute further follow-up work, primarily sowing of stubblefield mixtures, and to do it continuously with only a short delay after the harvest. In comparison with recent years, they [stubblefield mixtures] have been sown on substantially larger areas--more than two-times as large in several krajs--and the harvest of intercrops will increase the fodder base by approximately 2 million tons of green fodder. Other important types of work, primarily the second cutting of fodder have not been neglected either.

However, a less favorable situation exists with grain yields. It is certainly unnecessary to describe the reasons in detail. Even though shortcomings in agricultural practice--as proven by differences between neighboring enterprises and sometimes even neighboring fields--have influenced the results on certain cooperatives and state farms, the extraordinarily negative influence of the weather is indisputable. Beginning with the fall sowing practically up to the end of the growing period, the weather conditions were really unfavorable to cereals. The usually dry and warm month of May aggravated the situation.

According to estimates as well as present results, the hectare yields will not reach the recent years' average. The total production of grain, including grain corn, whose stands are promising, will not fulfill the plan and will reach roughly the level of 1976. Naturally, in spite of this lower harvest, covering of the grain needed for human nutrition will be in no way threatened. On the contrary, the presently harvested and warehoused bread grain has good nutritional characteristics thanks to this year's conditions and the care taken in its selection, primarily in the production regions. However, this year's harvest will not fully satisfactorily cover the needs of animal production, toward which it has been predominantly oriented every year. As a result, importation of fodder in excess of the plan will be required, the exactingness of which is known. Therefore it is necessary to take every possible step toward minimizing it.

It is the duty of responsible managers in agricultural enterprises not to be satisfied with mere monitoring of consumption, but to consistently evaluate compliance with their standards, analyze the causes for difference between individual operations and work sites and carry out decisive measures toward their elimination. The work of the herdsmen and the zootechnicians is to be evaluated according to productivity achieved as well as the level of valorization and consumption of fodder. Material incentives, sliding-scale premiums, as well as development of work initiative are to be oriented toward this goal even more expressly than presently. All levels of organs of agricultural management must dedicate even more attention than hitherto to economizing with cereals in animal production and they have to intensify and improve their methods as well as inspection activities.

Not only the enterprises which have finished harvesting, but also those which have not yet finished, have to prepare for the fall harvest and other work. In view of the fact that we expect a good harvest of root crops, mainly of potatoes, and an above-average yield of the silage corn, which will considerably improve the fodder base, it [fall harvesting] will require an even more consistent and exacting approach this year. Besides preparation of the harvesting machinery and its crews, it is necessary to dedicate extraordinary attention to securing of transportation. According to estimates, 45 to 50 million tons of produce and various cargo are to be transported during the fall. Consequently in order to avoid serious losses, the transportation means will have to provide aid to the agriculture even on a larger scale than during the harvest.

In order to manage the fall harvest as well as the sowing of winter crops--whose exactingness must not be underestimated in view of last year's experiences--on time and without unnecessary losses and damages, it also will be necessary to avoid a great cumulation of tasks, spread them out over an extended period of time. That calls for starting the harvest of silage corn and potatoes in particular as soon as possible. Likewise, granting necessary help to agricultural enterprises on time and not waiting for deterioration of harvest conditions.

CONTINUED LAG IN CONSTRUCTION INDUSTRY CRITICIZED

Prague HOSPODARSKE NOVINY in Czech 27 Aug 79 p 2

[Commentary by Stepan Kaksa, KSC Central Committee Staffer: "Construction Industry"]

[Text] In accordance with set goals in construction production for the first half of '79, we were to achieve 48% of the annual plan; real results, however, show only 46.1%. In the production of construction materials we achieved only 47% instead of the projected 49%. The plan was not fulfilled even by organizations managed by the Ministries of Construction of the Czech and Slovak Socialist Republics.

Tasks of organizations utilizing internal labor resources were fulfilled in the first half of '79 by only 96.4%. All production units share in this unfavorable state of affairs (except the Engineering Construction Works in Bratislava which fulfilled the plan for the first half of '79 by 100.4%). Most of the credit for the shortfall goes to the Prague Construction Works whose organizations fulfilled their tasks since the first of the year by only 92.5% and the Brno Construction Works whose tasks were fulfilled by only 94.7%.

Value "S" (which is work performed by internal labor resources, plus work of other participants in investment construction) reached in the first half of '79 only 93.5%. Here again, the largest share of the shortfall goes to the Prague Construction Works with only 84.3% fulfillment, and the Brno Industrial Construction Works with 92.9% since the first of the year.

Set rates of labor productivity also fall short of the plan. Since the first of the year, organizations managed by the Ministry of Construction of the Czech Socialist Republic (CSR) have achieved only 97.4%. Only one production unit, the Engineering Construction Works in Bratislava achieved 101.1%. The lowest level of fulfillment occurred in the Prague Construction Works (93.8%).

A serious situation has developed in housing construction. While to date this year, the overall plan for the CSR is being fulfilled by 107.9%—which could be considered favorable, a warning lies in the fact that the share of the annual task is only 30.6%. Carefully considered should be the construction of apartments in the Prague capital city area which, considering the directive of the Sixth five-year plan, is more than unfavorable. Although to date this year the plan for apartment deliveries is being fulfilled by 107%, the share of the annual plan is only 14%. In comparison with 1978, this is only 80.4%. This serious situation should be considered and a remedy sought by all participants in apartment construction. This problem is not only the result of unsatisfactory work by the builders themselves, rather, a share in it must be borne by investors, designers, and other contractors.

In comparing the results in Prague with those of the North-Bohemian kraj, we cannot but ask why the situation in the kraj is distinctly better even though conditions for apartment construction are no less complicated there than in the capital. It would appear that in the kraj coordination among all participants is better and the quality of management higher. This applies especially to the Ground Construction Works in Usti nad Labem (with the exception of the North-Bohemian Construction Works and the Ground Construction Works in Liberec where the situation is unsatisfactory).

The justification of this assertion is easily discernible when we examine real results. The plan for apartment delivery in the first half of this year was fulfilled by 104.3% which represents a 37% share of the annual task. The best results have been achieved by the workers of the Ground Construction Works in Usti nad Labem.

When evaluating the overall situation in the construction production sector, it needs to be said that the decisions aimed at lowering the shortfall are, in practical terms, not being implemented. The shortfall continues to grow. According to preliminary results for July in the CSR construction organizations, it has grown by another 63 million crowns. Since the beginning of the year, the shortfall in construction production in the CSR has reached 635 million, and in Slovakia 123 million.

An unfavorable situation also exists in organizations of local construction industry. These units which are responsible for the implementation of significant tasks, have shown since the first of the year a shortfall of 67.8 million crowns. The biggest share of this shortage is borne by the okres construction enterprises of the North-Bohemian kraj.

A similar situation exists in the construction material production sector. In the CSR, production units show an overall shortfall since the first of the year of over 307 million crowns.

Since the beginning of the year, the plan of gross production has been fulfilled by only 95.9% which represents 47% of the annual share (the plan called for 49%). The materials production plan was also fulfilled by 95.9%. The best results were attained by the Quarry Industry Enterprises which since the beginning of the year has achieved 100.3%, and the Zlicin Enterprises with 100.5%. These two enterprises also fulfill their plans in materials production: Zlicin by 100.7% and Quarry Industry by 100.4%. All other economic production units have not been fulfilling their tasks since the first of the year.

It will therefore be necessary for appropriate economic management organs to give more thought to the realization of their own capabilities. We should highly appreciate the selflessness and initiative of the workers, especially those in the cement, ceramics, and brick works, who through their efforts have ensured the fulfillment of prescribed labor productivity levels. In the remaining period, however, it will be necessary for production management as a whole to fully utilize available reserves. It will have to be determined what measures to implement so that tasks in the sector of construction material production be fully met to comply with the directives of the 15th Party Congress, stressed in all subsequent sessions of the Central Committee. The situation as a whole in our construction industry is neither rosy nor simple. Indeed, the shortfall since the first of the year through July in organizations under both ministries (construction production, as well as production of construction materials) comes to more than a billion crowns. If the prescribed goals are to be met, production units in both republics must for three annual quarters fulfill their tasks in construction production by more than 73%.

The most affected by this task are the Prague Construction Enterprises with a shortfall of 204 million, the Brno Industrial Construction Enterprises (186 million) and the Ground Construction Enterprises (160 million). In the production of construction materials, it is the Ceramics Enterprises with a shortfall of 123 million, the Cement and Lime Works (104 million) and the Prela works in Bratislava (37 million). This certainly should provide food for thought.

How is it possible that at a time when we talk of summer activity, when even the weather is good, most of the production units involved are not fulfilling the plan? Trade Union organs, together with enterprise management, should jointly determine whether the right conditions for a successful implementation of a broad workers initiative have been established. In the course of the third and fourth quarters, there are to be in the construction industry additional Saturday shifts. We have to determine, however, which is more productive--Saturday shifts where the net results are about 25% of a regular shift, or a ten-day cycle (Transportation Construction Works in Olomouc and INGSTAV in Brno), or yet lengthened shifts during the summer months. Whether it is this or the other, one condition must be met: to prepare the work, ensure the availability of needed materials, and provide good organization and

management directly at the place where the work is performed. We should examine how well working hours are observed, and we should not overlook those workers who are merely coasting, so to speak, and who care nothing about whether tasks at hand are being fulfilled.

Even today, we are already working on the plan for 1980. The thesis of some workers that the preparation of the 1980 plan is influenced only by 1979 developments affecting the contents and structure of the plan, is incorrect. I believe that the year 1980 in its complexity and high demands will simply be the culmination of all the problems we have been unable to resolve since the beginning of the 6th five-year plan. Consequently, we should draw a lesson from this situation when preparing the 7th five-year plan.

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CS0: 2400

GREATER PROCESSING OF PETROLEUM NECESSARY

East Berlin DIE WIRTSCHAFT in German Vol 34 No 7, 12 Jul 79 p 19

[Article by Prof Siegfried Nowak and Dr Guenter Friedrich, Central Institute for Organic Chemistry, GDR Academy of Sciences; "Why a More Intensive Separation of Petroleum?"]

[Text] It is generally assumed that the ratio of coal to oil deposits is approximately 9:1; in contrast, the consumption ratio of these fuels is 7:3 in favor of oil. More than 90 percent of crude oil is variously used for energy production--as refined fuels (gasoline, Diesel fuel and so forth)--and burned as residual fuel (heating oil). Only 5-8 percent of crude oil, mostly low boiling-point fractions, are used for chemical purposes. In view of world's ample coal reserves, the rising cost of finding, drilling and exploiting new oil deposits and the depletion of oil deposits--which by today's estimate will happen in the foreseeable period of 50 to 100 years--the combustion of oil fractions to the extent practiced today appears to be increasingly an indefensible waste of the fossil carbonaceous substance, because all that is being recovered from the conversion of crude oil components to carbon oxides and steam is the combustion heat. Crude oil can be utilized fully only by more intensive recovery of oil hydrocarbons, which are chemically converted into many different products used in daily life, as industrial intermediate products for petrochemical syntheses and as raw materials in all branches of industry.

The oil hydrocarbons have been created by nature over millions of years making them from coal is much costlier than separating them from oil. The aromatic hydrocarbons toluene, benzene and the so-called C₈-fraction (see diagram) can serve as an example of such hydrocarbons and their conversion. Similar family trees can be derived from other crude oil components or primary conversion products such as ethylene, for example.

While combustion of the hydrogen-rich crude oil components yields approximately 10⁴ Kcal/kg [kilocalories per kilogram] of energy, the synthesis of identical substances from coal (for example, gasoline obtained by the modern coal hydrogenation method) requires approximately a tenfold amount of energy input²,

not even counting the considerable capital investment needed for the construction of hydrogen production plants and high pressure reactors.

Additional reasons for maximum economy in managing crude oil are the limited possibilities the national economy has to increase the processing capacities for crude oil. It is simply no longer possible to meet the sharply increasing demands for the manufacture of organic raw materials such as lower olefins and other monomers and for the production of plastics and elastomers, while at the same time also supplying the enormously rising volumes of gasoline. Diesel fuel and aviation gasoline needed for transportation without fundamentally changing oil processing technology.

Table 1.

Distillate Fraction	Boiling point range in °C
Gases (methane to isopentane)	up to 30°
Gasoline fractions	35-180°
Including: Light gasoline	65-95°
Medium gasoline	95-140°
Heavy gasoline	140-180°
Kerosene fractions	180-240°
Diesel fuel	240-350°

Until a few years ago, oil processing traditionally consisted essentially of a series of separation processes: Desalination, dehydration and primary distillation yielded the spectrum of the tabulated distillate fractions.

The residue left over from distillation under atmospheric pressure--a complex mixture of hydrocarbons with a boiling point above 350°C, high or non-boiling macromolecules such as asphaltenes and hetero-compounds, metallic organic complexes and salts--amounts approximately to 50 percent of the original crude oil volume processed, which was and still is largely burned as heating oil. In this predominantly distillative processing method, heating oil is typically the principal product.

Increasing the production of one of the fractions in every case implies increasing the proportion of oil involved in atmospheric distillation.

The annual GDR crude oil imports required by the high and rapidly rising consumption in the chemical industry and by transportation would in 1990 amount to from 35-50 million tons, calculated on the basis of retaining the current processing structure. In the 1960's, figures of this order of magnitude were the basis for prognostication, but the rising cost of oil production, indications of looming oil supply difficulties and new scientific technical findings permitting more intensive utilization of crude oil components call for replacing the extensive method of oil processing by a new, long-range concept. A greater part of the heating oil fraction must be converted by cracking to "clear" products, and the residual oil hitherto used as heating oil must be replaced with coal.

We know that up until 1990 the volume of crude oil available for processing will amount to only little more than today.

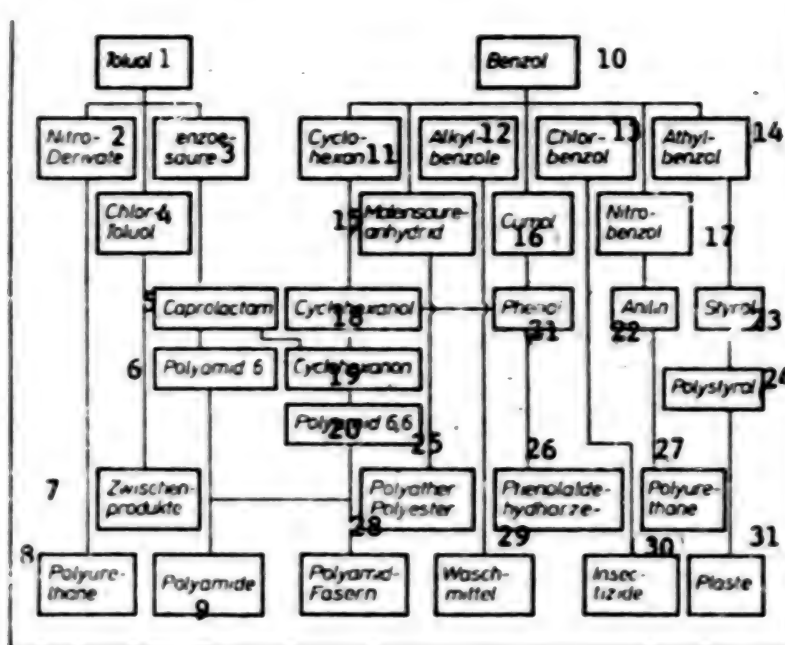


Table 2. Toluene and Benzene

Key:

- | | |
|----------------------------|----------------------------|
| 1. Toluene | 17. Nitrobenzene |
| 2. Nitrogen derivatives | 18. Cyclohexanol |
| 3. Benzoic acid | 19. Cyclohexane |
| 4. Toluene chloride | 20. Polyamide 6,6 |
| 5. Caprolactam | 21. Phenol |
| 6. Polyamide 6 | 22. Aniline |
| 7. Intermediate products | 23. Styrene |
| 8. Polyurethane | 24. Polystyrene |
| 9. Polyamides | 25. Polyethylene Polyester |
| 10. Benzene | 26. Phenol aldehyde resins |
| 11. Cyclohexane | 27. Polyurethane |
| 12. Alkyl benzenes | 28. Polyamide fibers |
| 13. Benzene chloride | 29. Soap powders |
| 14. Ethylene | 30. Insecticides |
| 15. Malonic acid anhydride | 31. Plastics |
| 16. Cumene | |

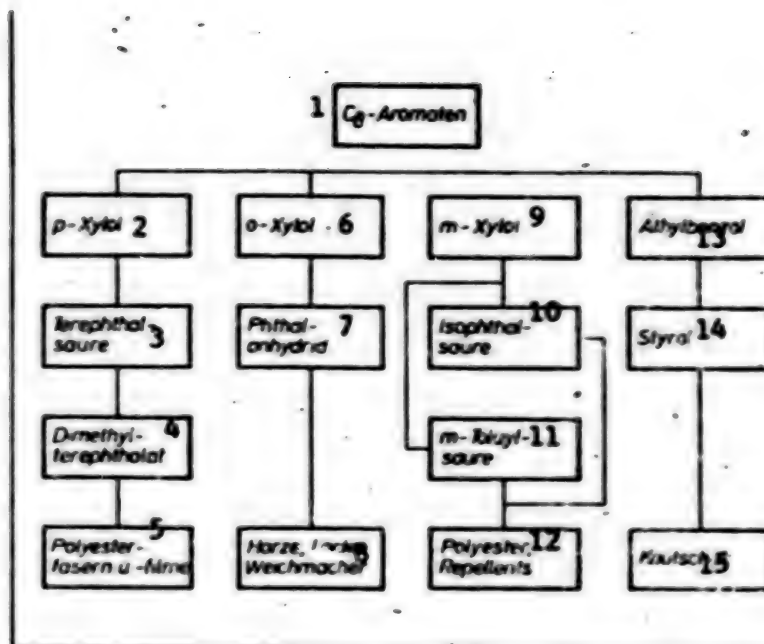


Table 3.

Key:

- | | |
|--------------------------------|----------------------------|
| 1. C ₆ aromatics | 9. m-Xylene |
| 2. p-Xylene | 10. Isophthalic acid |
| 3. Terephthalic acid | 11. m-Toluic acid |
| 4. Dimethyl-Terephthalate | 12. Polyesters, repellants |
| 5. Polyester fibers and films | 13. Ethylene |
| 6. o-Xylene | 14. Styrene |
| 7. Phthalic anhydride | 15. Rubber |
| 8. Resins, lacquers, softeners | |

Summary:

1. Burning fractions of crude oil is uneconomical if only because the cost of the recoverable combustion heat.
2. Using coal instead of heating oil for the production of power is efficient considering the preponderant proportion of coal among existing fossil fuels.
3. Cracking high-boiling fractions of residual oil or converting the entire residue to lower-boiling fractions such as gasoline and Diesel fuel is a necessary prerequisite for improved material exploitation of crude oil.

To this end, some possibilities for cracking processes will be discussed in a future article.

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CSO: 2300

BANK REPORTS ON MONEY, CREDIT SITUATION IN FIRST HALF YEAR

Budapest FIGYELO in Hungarian No 34, 22 Aug 79 p 5

[Communique of the Hungarian National Bank: "The Management of Credit and Money in the First Half of 1979"]

[Text] Economic organs are adapting only gradually to the changed economic conditions. Certain unfavorable factors carried over from the previous year (large inventories, unsuitable income, etc.) and, subsequently, the more rigorous foreign-market conditions created difficulties at many enterprises. Average liquid assets in the deposit accounts of the economic organs were 12 percent lower during the past six months than in the same period a year ago. Because own resources were more limited, payments were slower and the demand for circulating-capital credit increased.

Circulating-Capital Credit

Amidst the rather differentiated availability of own resources at the enterprises and cooperatives during the first six months, the demand for circulating-capital credit increased in comparison with last year. The number of credit applications received by the bank increased 23 percent; their total volume, 17 percent. This trend was characteristic of all branches, with the exception of the food industry.

There was greater selectivity in the consideration of the credit applications. From the combined total of the credit applications received during the first six months and of the ones still pending at the end of the year, 14 percent were rejected (as compared with 8 percent a year ago). The proportion of rejections was even higher in the building materials industry, construction industry, and in metallurgy. The general experience has been that tighter credit enhanced the uncovering of economic shortcomings. The bank's organs provided necessary assistance to bridge justifiable financial difficulties.

The total amount of approved circulating-capital credits was 188 billion forints, 10 percent higher than a year ago; new credits accounted for

the bulk of this total, primarily in engineering, light industry, trade in capital goods, and foreign trade. Of the total new credits approved, 94 percent were short-term ad hoc credits, 4 percent were intermediate-term credits to advance circulating capital, while credits to supplement circulating capital and special credits each accounted for one percent.

Of the new ad hoc credits, 30 percent financed the procurement of materials and merchandise, and another 30 percent financed production in process (last year these proportions were 33 percent each). In the first six months of 1979, inventories showed a seasonal decline, but much sharper than the preceding year; within this the inventories in industry (excluding the food industry) rose far more moderately than last year, mostly under the influence of the measures adopted to reduce inventories.

Of the credits in this category, 19 percent were granted the economic organs to supplement their own resources formed during the year; and 17 percent, to bridge the time difference between expenditures and incomes. Both these proportions within the total of ad hoc credits were higher than a year ago. The remaining 4 percent were credits related to realization problems.

The change in the extreme limits of the credit terms reflects primarily the less favorable financial situation. About 25 percent of the approved short-term credits (as compared with 21 percent last year) served primarily to maintain liquidity and were repayable within 30 days. Simultaneously there was a rise also in the proportion of six- to twelve-month credits approved to supplement the relatively slow formation of own resources.

The total credit turnover in the first six months was greater than last year. Within this there were improvements in the scheduling of the credits made available, and in the proportion of such credits in relation to the credits approved. Repayments likewise increased significantly, but the proportion of repayments when due did not improve. Because the obstacles to repayment were warranted, the bank agreed to extend a small proportion of the credits not repaid by the expiration dates specified in the contracts. But the major proportion of such credits had to be transferred to higher-interest-rate accounts, where they could be repaid only after the restoration of financial equilibrium. At the end of June, credits in arrears accounted for 1 to 2 percent of the total volume of circulating-capital credit outstanding.

In the wake of the circulating-capital credits made available and repaid during the first half of 1979, the increase from 1 January to 30 June in the volume of circulating-capital credits outstanding was 10 percentage points slower than a year ago. In some branches nevertheless the average volume of credit outstanding grew at a faster rate than the output and the turnover.

Investment Credit

The measures introduced to curb the rise of investments made themselves felt also in crediting. This year the investment-credit demand of the enterprises and cooperatives, and the bank's commitments to provide investment credit were the lowest within the five-year period.

State enterprises and state farms submitted to the bank credit applications totaling 4.0 billion forints, of which about 60 percent is to be drawn this year. A growing proportion of the investment efforts was aimed at the realization of nonpreferential development projects.

Almost two-thirds of the approved investment credits that total nearly 5.0 billion forints is to be used this year, predominantly in industry, transport and communications. Within the approved amount, credits for the expansion of export allocations account for 40 percent. This is a larger proportion than the share of credits in the credit applications and partially includes also credits drawn on the basis of applications approved last year.

Among the principal indicators of the investment-credit contracts concluded in the first six months of 1979, the credit term and the profit per 100 forints of capital are more favorable than the year before. All this can be attributed not only to greater selectivity in approving credit applications but also to the fact that the investment projects for which support could be claimed in the form of preferential credit conditions were fewer this year than in the past.

The average credit term was shorter by five months in the case of intermediate-term special purpose credits, and by 13 months in the case of long-term credits. The profit per 100 forints of capital was 15 forints in the case of intermediate-term special-purpose credits, and 20 forints for the long-term credits (the same, respectively more favorable as compared with the preceding year). The profits pledged by agriculture, transport, communications, and trade significantly exceeded the expected minimum profit level for long-term credits.

Enterprises and state farms are providing nearly 3.0 billion forints of their own resources for the investment projects financed with credits approved in the first half of the year. Their share is close to 40 percent, similarly as last year. Within this the share of own resources is 32 percent in the case of long-term credits, and 45 percent in the case of intermediate-term special-purpose credits.

From January through June, the economic organs drew about one-third of the annual credit commitment, mostly on the basis of credit contracts concluded prior to 1979. At the same time, repayments by the end of June amounted to about one-half of the planned annual volume. In the final outcome, with due consideration for the differences in volumes, the drawing and repayment of credits were balanced, and the volume of investment credits outstanding remained at the 1 January level.

Population's Money Income, Commodity Purchases

The rise in the population's money income was more moderate than a year ago. However, the population's spending--based on identical commodity supply--increased, primarily as a result of advanced purchases. This reduced first of all the savings turnover ratio, but the growth rate of money in circulation also was lower than last year.

Money wages (without the wages of cooperative-farm employees) increased 7 percent from January through June, commensurately with the plan. In comparison with last year, the rise in wages paid resulted from higher average wages, while total employment in the sphere of material production did not change. The economic organs pursued a cautious wage policy.

Other personal income was 9 percent lower than last year, due to less favorable profitability in 1978 than had been anticipated, and in many instances due to 1978 wages increases that had not been economically substantiated and therefore affected also the profit-sharing fund.

The population's income from work in agriculture increased 5 percent during the first six months. The rise in the first quarter was moderate, due to a decline of the supplementary year-end profit sharing for 1978; but the rise in the second quarter was more pronounced. Frost damage, floods, drainage, an increase in the irrigated acreage due to drought, more plant protection, etc. necessitated a significant amount of subsequent or additional work.

In January through June, money income from the sale of farm produce (bulk purchasing) exceeded last year's level by 10 percent. This rise is more than double the planned rise and stems mostly from a quantitative increase. Increases in the bulk-purchasing prices were moderate and affected mostly fruits and vegetables. The supply of fattened hogs by small farms remained unalterably lively. The increase in sales of slaughter cattle was due in part to the improved export possibilities. There was growing interest in raising rabbits and sheep on household plots and auxiliary farms. The bulk purchasing of fruits and vegetables is increasing gradually.

Cash sales in retail trade during the first six months were 9 percent higher than during the same period of 1978. In comparison with last year, the population purchased 7 percent more during the first quarter, and 12 percent more during the second quarter; this rise in sales can be attributed mostly to expected price increases. During the past six months, the population's spending on commodities averaged 77.34 forints per 100 forints of money income (as compared with 75.23 forints a year ago). However, the lively turnover may be regarded as a temporary phenomenon, as advanced purchases, and can be expected to decline later on, if there is no improvement in supply.

FIRST HALF YEAR INTERNAL TRADE RESULTS VIEWED

Budapest FIGYELO in Hungarian No 34, 22 Aug 79 pp 1, 4

[Article: "Increasing Turnover--Problems of Supply"]

[Text] During the first half of this year popular demand has taken a course unlike the one which we had become accustomed to in the past. Although the 6.4 percent increase in cash receipts fell behind the 9.9 percent rate of increase during the first half of last year, the rate of retail turnover during the first half of this year reached 9.7 percent, 1.1 percent higher than last year's rate of increase. The population, therefore, increased its purchases even to the debit of possible savings. At the same time the development of the supply potentials of trade was not favorable, import supplies on the wholesale level only reached 94.7 percent of last year's first half during the first 6 months of this year, and there was virtually no improvement in our relations with domestic producers either. In the forthcoming we will briefly summarize--based on the Hungarian National Bank's semi-annual report regarding the state of our internal trade--those tendencies which characterize the situation of our consumer goods trade.

The increase of retail turnover surpassed the rate of our population's income growth (108.5 percent and 105.7 percent, respectively) as early as the first quarter of 1979, and this difference only widened during the second quarter (110.7 percent and 107 percent, respectively). The following (preliminary) figures will illustrate what effect this had on the population's spending structure.

In June, as a result of dynamically increasing purchases, our population's savings deposits and cash holdings took a drop for which--as the following chart indicates--we find no precedent during the previous period. The decisive factor behind this was the expected price increase which caused a sudden jump in demands not only for foodstuffs but for miscellaneous industrial commodities as well.

**The Spending Structure of Our Population's Every
100 Forint of Income Earned During the 1st and 2nd
Quarters of 1979***

	1st half 1979	1st quarter 1979	2nd quarter 1979	2nd half 1979
	in forints	in % of the same periods last year		
Commodity purchases	77.34	100.9	104.4	102.8
Savings	6.61	85.7	38.9	70.9
of these deposits	4.03	81.7	32.2	64.6
Other purposes	16.05	107.5	99.9	103.9
Total:	100.00	-	-	-

* Preliminary data

**The Formation of Retail Turnover During the 1st
and 2nd Quarters of 1979 Expressed in Percentages
of the Same Periods Last Year***

	1st quarter at current prices	2nd quarter	1st half at constant prices	2nd half
Foodstuffs	106.2	111.8	109.1	103.4
Entertaining	111.0	112.7	112.0	101.0
Clothing	106.4	107.3	106.9	101.4
Miscellaneous in- dustrial commodities	110.3	110.4	110.3	105.9
Total:	108.5	110.7	109.7	103.9

* Preliminary data

About 40 percent of the 1st half increase in current price retail turnover was caused by a volume increase, while 60 percent of it was the result of price increases. Purchases made on OTP [National Savings Bank] credit increased by 14-15 percent.

The 45 percent turnover during the first half of this year was made up of foodstuffs and consumer goods, while 55 percent was comprised of manufactured goods. (Last year's proportion was pretty much the same.)

The foodstuff supply of retail outlets was, for the most part, satisfactory although the supply of pork, meat products and fish fell behind demand. The availability of certain firstling vegetables and fruits was inadequate, and in some cases the balance of supply and demand could only be restored at a relatively high price level. Due to various measures the number and purchases of "shopping tourists" dropped, but in June, upon hearing about the price increase, there was a "jump" in the volume of purchases.

Uneven Supply

The number of tourists coming from abroad was approximately the same as it had been during the first half of last year. Among them, however, there was a 15 percent drop in the number of tourists from the ruble-bloc countries (mainly Czechoslovaks and Poles), while the number of tourists visiting from the convertible foreign exchange-clearing countries increased by almost one-fourth. In the case of those coming from the ruble-bloc countries our foreign exchange revenue per tourist increased by 20 percent, while there was a 6 percent growth in the case of visitors from the convertible foreign exchange-clearing countries.

Due to backlogs in clothing industry deliveries (especially in the deliveries of our knitted wear and cotton goods factories), uncertain Far-Eastern imports and a reduction of capitalist purchases, the supply of clothing articles was uneven in the case of several products. Late deliveries which did not comply with the terms of the contract were generally only accepted by our trading organs when it seems certain that they could be sold.

The overall supply of miscellaneous industrial commodities was not any worse than last year. The reduction in capitalist imports limited, and with respect to certain products (such as tape-recorders and radios) markedly worsened the selection. The deliveries of domestic producers were constantly late, yet in the case of certain former shortage goods there was even an industry-wide over-supply. There was a significant increase, for example, in the turnover of refrigerators, bicycles, agricultural small machines and furniture, and had we had adequate sources of supply, we could have sold a great deal more of these than we did. The breaking of the news regarding the price changes especially boosted demands for furniture and building materials. There was, however, a significant drop in turnover of cultural articles--i.e., toys, baby carriages and sports clothing.

Stockpiles and Solvency

During the past 6 months--primarily as a result of high stock piles unjustifiable by the volume of turnover, which had been left over from last year--the development of the financial situation of our consumer commodity trade was unfavorable. Several enterprises' solvency was shaken, the number of late payments and the sum of credit loans unpaid upon expiration increased. The borrowing of short-term loans for paying salaries became increasingly common.

The difficulties created by surplus stockpiles were felt primarily on the wholesale level. Due to inadequate supplies for meeting demands there was no significant reduction in these stockpiles in spite of the fact that supply purchases had dropped. The financial troubles of our retail trade, too, were caused mainly by stockpile management-related problems.

As of 30 June 1979, based on preliminary data, the stockpiles of our consumer commodity trade stood at 49.1 billion forints, 0.8 billion forints or 1.6 percent higher than during the same period last year. The price

increase added 2.3 billion forints to the value of these stockpiles while their volume actually decreased by 1.5 billion forints. Compared to the starting stockpiles at the beginning of the year, at the end of the first 6 months there was essentially no change in the value of stockpiles, showing a 0.2 billion forint decrease on the retail and a 0.3 billion forint increase on the wholesale level.

Food supplies were sufficient even to meet the increased demands of the month of June, and the minor difficulties which did arise were caused by technical problems (packing, transportation, etc.). During the first half the rotation period of food supplies dropped from 35 to 33 days compared with the same period last year.

Surpluses and Shortages

At the beginning of the year our clothing stockpiles contained considerable surpluses. Our 30 June clothing stockpiles were 0.2 billion forints, 1.5 percent less than a year earlier. This reduction in the stockpiles was caused by the fact that our enterprises tried harder than before to adjust their supply purchases to the level of demand; that the volume of fall and winter items was less than the year before; that a significant portion of imports spread over to the second half, and that their domestic suppliers also fell behind in delivering the planned volumes. The rotation period was 142 days, 6 days faster than during the first half of last year.

Taken on the average of the first 6 months our miscellaneous industrial commodity stockpiles were 9.4 percent higher than during the first half of last year. This was caused exclusively by the price increase, and the volume of stockpiles was actually smaller than last year and at the beginning of this year. There was also a significant reduction in the stockpiles of furniture and building materials resulting from consumer purchases which began to pick up speed in June. Demands for cosmetic and sunbathing articles left over from last year as well as for paint products still unsold at the beginning of the year became livelier, and there was also a reduction in the stockpiles of telecommunication and technical products which had been very high at the beginning of the year.

During the first half of this year the rotation period of the total stockpiles of our consumer commodity trade was 72 days, 1 day less than during the same period last year. This--in so far as it was the result of the elimination of surpluses--was a favorable development. Less favorable, however, was the fact that this reduction in the stockpile rotation period also brought out the problems of commodity supply replacement.

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CSO: 2500

FIRST HALF YEAR FOREIGN TRADE RESULTS EXAMINED

Prices and Foreign Trade

Budapest FIGYELO in Hungarian No 34, 22 Aug 79 p 7

[Article by g-1: "The Foreign Trade Volume and the Price Levels"]

[Text] The more important data which characterize the first half year's foreign trade activity are already known--imports increased by 1.7, exports by 14.8 percent--and these indicate that moderating the increase of consumption within the country has resulted in a foreign trade reaction which corresponds to our expectations. On the one hand the vigorous growth of import seen both in 1977 and 1978 has decreased, and on the other hand last year's stagnation was replaced by progress which can be classified as dynamic. The change reflected by the foreign trade data of the first halves of the years of 1978 and 1979 are particularly conspicuous.

While the previous year's export-import tendencies were modified in a relatively short time to be in harmony with this year's plan, the details of the first half year's foreign trade differ on a number of points from what had been planned.

The Coverage For Import Has Improved

This time even the rubel-accounted trade cannot be characterized with the usual adjective--developed as planned--, because the growth rates of both import and export fall short of the previous year and of the value and volume growth rates specified in the trade agreements for this year. The rubel-accounted export to a greater or lesser extent increased in all relationships, while the import varied with each partner. Compared to the same time period of the previous year, the index of rubel-accounted import varied between 81 and 137.5. Breaking it down according to the main merchandise groups, we planned above average increases in the rubel-accounted export of food industry products and machinery. In the first half year our export did in reality turn out this way, the 4.5 percent increase of export was derived exclusively from the increasing machinery and foodstuffs export. In the other main merchandise groups--materials, semifinished products and

spare parts, industrial consumer goods, energy sources--the rubel-accounted export merely approached the performance of the previous year's similar time period.

Within the framework of the rubel-accounted import we planned to increase at above average rates on the annual level the import of light industrial and mining products, and of the chemical industry's raw materials. In the first half of the year the import of mining products, chemical industrial raw materials and semifinished products significantly decreased even in comparison with the previous year's identical time period. Thus, fulfillment of the merchandise trade projections for the year will require vigorous improvement of trade in the second half of the year in export, and to an increased extent in import.

Projections of the nonrubel-accounted foreign trade for this year are: the export volume must exceed last year's level by 10 to 11 percent, within this the machine industry's export must be increased by the largest extent, the exports of the food industry and agriculture can exceed the average growth level by only a small amount, while the light industry's export dynamics will remain below that. As a consequence of the moderating domestic consumption we planned to have the same value of import from the nonrubel-accounting countries as last year. (With respect to the main merchandise groups the plan expects to have decreases as well as increases.)

The nonrubel-accounted trade of the first half year can be considered favorable. Even though the import increased by 0.9 percent, the export significantly exceeded the volume increase planned for the annual level. A year earlier, in the first half of 1978 the ratio of import covered by export in the nonrubel accounted trade was only 63 percent, and 72.7 percent on the annual level. In the first half of 1978 this index improved to 80 percent.

In the Mirror of Price Tendencies

Every main merchandise group participated in the 27 percent increase of the nonrubel-accounted export performance. Export of machinery, transportation equipment and other investment goods increased by 46 percent, export of materials, semifinished products and spare parts by 39 percent, food industry materials, live animals, foodstuffs by 22.7 percent, industrial consumer goods by 15.7 percent. If we consider the share of the individual main merchandise groups in export, rather than dynamics, the sequence changes: of the approximately 13 billion forints excess value of the nonrubel-accounted export 6.5 billion forints are for materials, semifinished products and spare parts, 3.3 billion for agricultural products and foodstuffs, and 1.3 billion forints are for industrial consumer goods. The machinery industry export, which leads in the dynamics of growth, increased the first half year's nonrubel-accounted export by about 2 billion forints.

From the viewpoint of the long-range structure policy--the ratio of products which represent higher levels of processing, particularly of machinery and

other finished industrial products must be increased--the first half year's growth of nonrubel-accounted export does not appear to be favorable. We come to a different conclusion if we compare export with the price tendencies.

The index of the nonrubel-accounted trade's terms of trade improved minimally in the first half year, while the price levels of both import and export increased. (Import's price index was 101.5 in the first quarter and 106.2 in the second quarter, while the export price indices were 102.8 and 106.5 respectively.) The increase was most vigorous in the price level of the main merchandise group of energy sources and electrical energy; 108.1 and 123.6 in import, and 106.9 and 118.6 in export. The price index of materials, semifinished products and spare parts also increased significantly: to 105.6, then to 110.6 for imports, and 119.9, then in the second quarter to 115.8 for exports. (For the other main merchandise groups the price movements were plus-minus in character. Machinery import: 101.3 and 102.3, machinery export: 101.7 and 101.0, consumer goods import: 99.6 and 103.2, consumer goods export 100.5 and 100.8, import price indices of food industry materials and foodstuffs: 85.6 and 90.4, their export price indices: 96.8 and 101.4.)

Thus it can be concluded in the mirror of the price indices that we significantly increased the nonrubel-accounted export volume in exactly those main merchandise groups--first of all materials and semifinished products--of which the price levels also increased vigorously. Consequently a respectable portion of the 27 percent higher export income was derived from the increase of the price levels.

Export Dynamics--Import Price Levels

Import accounted in dollars and other currencies surpassed in the first half year the level of a year earlier by 0.9 percent. Primarily the import of machinery and investment goods increased vigorously--by almost 18 percent--and also the import of consumer industrial goods increased by 7.5 percent. Material import increased by 1 percent, while the import of goods which belong in the other main merchandise groups--energy, agricultural products--decreased. The nonrubel-accounted import can be judged problematical from two viewpoints. In the first quarter of the year import still exceeded the basic level and became moderated in only the second quarter, the 100.9 index of the first half year developed as a result of this. It is well known that the import [sic] is not rhythmical either, a significantly higher portion of the whole year's import than would be time-proportional falls on the second half of the year. Inasmuch as this tendency will be valid this year also, it is unlikely that we will be able to keep the import level which is now still close to last year's. The price tendencies also generate similar doubts. Materials, semifinished products, spare parts and energy sources compose about 60 percent of the nonrubel-accounted import, and in the first half year a gradually rising price level increase developed for these. Thus it is certain that in the nonrubel-accounted trade not only the export dynamics of the second half year, but also

simultaneously the rising import price levels will determine how the ratio of export coverage in convertible foreign currency-accounted foreign trade will develop on the annual level, whether the foreign trade balance, which in recent years has been gradually deteriorating, will improve and if so, to what extent.

KHS* Reports

Budapest FIGYELO in Hungarian No 35, 29 Aug 79 p 7

[Article: "Foreign Trade Data"]

[Text] In the first half year of 1979 import at current prices, at commercial exchange rates was higher, at comparable prices lower, than in the same time period of last year. The amount of merchandise brought in was higher than last year from the rubel-accounted relationships, but lower from the dollar-accounted ones. Export of the first half year increased dynamically, more in the dollar-accounted relationships than in the rubel-accounted ones.

Development of Foreign Trade, First Half of 1979

(Expressed as percentage of the previous year's identical time period)

	<u>Import</u>		<u>Export</u>	
	current prices	comparable prices	current prices	comparable prices
Rubel accountings	102.7	101.8	104.5	105.7
Dollar and other accountings	100.9	95.0	127.0	119.2
Total	101.7	98.2	114.8	112.0

Import of materials and foodstuffs was less, of energy sources, machinery and industrial consumer goods was more than in the first half of last year.

Development of Import by Main Merchandise Groups, in the First Half of 1979

	Percentage distribution of trade	Same time period last year = 100	
		at current prices	comparable prices
Energy sources, electrical energy	15.0	113.2	102.4
Materials, semifinished products, spare parts	47.9	97.4	91.8

*[Central Statistical Office]

Machinery, transportation equipment, other investment goods	20.8	111.1	110.0
Industrial consumer items	8.0	102.4	102.7
Food industry materials, live animals, foodstuffs	8.3	89.0	97.4
Total	100.0	101.7	98.2

With the exception of energy sources--and the weight of these in the total export is not significant--export increased significantly in all main merchandise groups.

Development of Export by Main Merchandise Groups,
in the First Half of 1979

		Same time period last year = 100	
	Percentage distribution of trade	at current prices	comparable prices
Energy sources, electrical energy	2.7	89.2	76.9
Materials, semifinished products, spare parts	30.9	120.5	110.9
Machinery, transportation equipment, other investment goods	27.6	116.8	118.2
Industrial consumer items	17.0	105.2	105.4
Food industry materials, live animals, foodstuffs	21.0	117.1	115.7
Total	100.0	114.8	112.0

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CSO: 2500

ENTERPRISES PERFORMANCE IN FIRST HALF YEAR EXAMINED

Budapest FIGYELO in Hungarian No 36, 5 Sep 79 p 5

[Article by Gabor Posch and Janos Trautmann: "Enterprise Management in the First Half Year"]

[Text] The data compiled by the financial organs concerning the balance reports of enterprises and cooperatives show that there have been a few favorable changes in the chief economic processes in the first half of 1979.

But in addition to phenomena which point in a positive direction the efficiency and profitability of enterprise work have not improved to such an extent as to counterbalance the effect of economic conditions which are becoming more severe.

In accordance with the prescriptions of the annual plan enterprise sales in the first half of 1979 as a whole increased by 5.9 percent—thus more moderately than the 10 percent rate in the preceding year.

Increasing Export

The net price income of the construction industry increased by 11 percent, well exceeding the average for the people's economy and the prescriptions of the plan, while sales by industrial enterprises rose by 5.8 percent—at about the average rate. Within industry the most significant deviation from what was expected took place in the construction materials industry where sales in the first half year increased by 7.4 percent as opposed to the minimal prescription, an expansion which exceeded the industrial average. This can be explained by the fact that the price income and production of the contracting construction industry were substantially higher than the prescription of the people's economic plan.

Production and sales by enterprises and cooperatives essentially conformed to central goals but this was realized through an approximately similar rate of growth. Among other things this was a consequence of the fact that the differences in developmental rate for economical and less economical

enterprises are for the time being negligible. In the majority of the enterprises the moderated growth in production and sales was not accompanied by a planned freeing of manpower of transfers to more efficient areas. Something similar can be said of assets management also; this is indicated by the continuing dynamic growth in fixed assets and by the (still) high level of stockpiles as compared to production.

The increasing export orientation of the enterprises is well shown by the fact that nearly one quarter of the increment in net price income was realized abroad. The composition of sales on the chief markets changed favorably. In addition to the moderated 5 percent growth in domestic sales, export exceeded that of the first half of 1978 by 13 percent--by nearly 30 percent, within this, in non-ruble accounting export. About 50 percent of the increment in dollar accounting export derived from sale of metallurgical and food industry products but the export increase was significant for the machine industry and chemical industry too.

On-the-spot surveys of enterprise and cooperative management--extending to 450 enterprises--show that the majority of them prescribed an increase in capitalist export this year. This makes it probable that the enterprises will over-fulfill the prescriptions of the people's economic plan.

Results and Efficiency

The result shown in the balance reports of the enterprises and cooperatives is less than in the same period for 1978 by 3.1 percent. The less favorable than planned development of achievement calls attention to the fact that the enterprises did not entirely succeed in counterbalancing the achievement reducing effect of the regulator changes by improving efficiency or by more thrifty management with the more moderate rate of growth in production volume as compared to earlier years.

As compared to earlier years the enterprise achievements differentiate better between the several branches of the people's economy. For example, as compared to the same period of the previous year, the construction industry achieved greater results by 2 percent and trade achieved greater results by 8 percent.

Achievement decreased in industry, however, if to a minimal degree. In transportation and communications the significant moderation in profit was caused primarily by the price increases for energy and materials. Among the industrial branches the decrease in achievement was greatest in the electric power industry and mining (by 53 percent and 23 percent respectively) but the level of the first half of 1978 was not achieved in the machine industry or in the construction materials industry either. On the other hand, achievement increased by 36 percent in metallurgy and by 13 percent in the chemical industry.

The profit position of the 31 enterprises centrally selected for management review changed differently enterprise by enterprise in the first half year. Characteristically, the profits of machine industry and light industry enterprises decreased, the number of deficit enterprises increased, so their situation worsened further as compared to the first half of 1978. In contrast to this the chemical industry enterprises significantly improved their management, as is reflected in a reduction of deficits and a dynamic growth of profits.

A differentiation in achievement is also indicated by the fact that the total deficit increased by 30 percent, and this is largely concentrated in the machine industry, light industry and the food industry.

In essence two chief factors influenced the development of profits. The measures which went into effect on 1 January 1979 tightened up the conditions of management--reducing the sphere and magnitude of financial distinctions--and this reduced profits by several billion forints.

The 6.5 percent increase in expenditures exceeded the expansion of production (price income). Thus the cost level increased by 0.9 percent as compared to the base. Within this the 5.2 percent increase in material and energy costs is somewhat behind the increase in price income (5.4 percent) and some savings--though not at all enough--could be realized from this.

Wage costs increased by 5.6 percent, essentially in accordance with the plans. This rate was substantially smaller than the 10.2 percent in the first half of 1978 and is approximately proportional to the increase in production. A planned development of wage costs is characteristic of industry and the construction industry but wage inflation was higher than the average in several branches of the people's economy--9.6 percent in transportation and communications and 6.9 percent in trade--and this had a moderating effect on achievement. The link between wage developments and the development of achievement loosened and some enterprises increase average wages independent of achievement.

Shrinking Stockpiles

Within expenditures the other costs, connected with overhead and administration within the enterprise, increased dynamically by 10 percent--similar to past years--and this is nearly twice the rate of growth in sales. Thus these costs significantly reduced the achievement which could be realized. Despite this, enterprise management devotes little attention to these expenditures.

The importance of rational management of these other costs is proven by the fact that reducing these costs by 1 percent in the economy as a whole would increase achievement by 1.5 percent while a 1 percent increase in them causes a loss of profits of the same magnitude.

It follows from what has been said that the level of production costs increased as compared to price income and the profitability of the enterprises deteriorated by 0.6 percentage points as compared to the first half of 1978. Within this the change in cost levels for certain marketing relationships also indicates the development of favorable processes. Thus, the cost level for non-ruble accounting export decreased as a result of the fact that the ratio of relatively more profitable export increased within total export. In contrast to this the cost level for domestic sales deteriorated and this in itself indicates the weaknesses of cost management. Thus, from the side of expenditures, the moderation in enterprise achievement was caused not so much by the increase in direct production costs as by the increase in costs connected with enterprise guidance.

A positive change in enterprise behavior is indicated by the fact that the majority of the deficit enterprises or those suffering a significant reduction in achievement worked out measures to change the product structure and to economize in regard to costs. But the effectiveness of these measures is called in question by the fact that very few of these enterprises reckon on a favorable change in the profit situation for 1980.

There were favorable developments in some areas in the first year assets management of the enterprises but there was no real improvement in other areas. The 1979 people's economic plan defined as a chief task the reduction of stockpiles. In the first half year the stockpiles as of 1 January 1979 were reduced by 19 billion forints--even taking into consideration the re-evaluation due to price changes. Despite this the level of the stockpiles is still 5.1 percent higher than in the first half of 1978.

The reduction in the stockpiles in the first half year took place primarily in trade and industry; stockpiles increased further in the construction industry, in transportation and communications and in the non-productive branches.

Stockpiles decreased in industry by 14.9 billion forints. Stockpile reduction is a branch characteristic in the food industry but the magnitude of this--16.5 billion forints--was greater than in preceding years. Stockpiles decreased by a total of 1 billion forints in metallurgy, the construction materials industry and the chemical industry. Stockpiles developed in an ambiguous way in the machine industry; during the half year purchased reserves decreased by 3 billion forints while stockpiles of their own production increased by 4.8 billion forints. Thus machine industry stockpiles exceeded the 1 January value by 1.8 billion forints.

Although the stockpile reduction in the first half year indicates an improvement in stockpile management the magnitude of this is still not satisfactory. The volume of stockpiles in every branch of the people's economy still exceeds the level for the first half of 1978 and the rate of increase approaches the rate of increase in production and marketing.

Payment Difficulties

Enterprise achievements were also influenced unfavorably by the fact that the gross value of the fixed assets of the enterprises increased by 9.2 percent, at a swifter rate than production, and so the efficiency of the fixed assets deteriorated. The rate of growth of fixed assets significantly exceeds the growth in production in every branch of industry--with the exception of the construction materials industry and metallurgy. The effect of this factor on profit merits attention also because it has been found that some enterprises are not reviewing their developmental ideas in harmony with the moderation in production, accomplishment or trade (results). These enterprises and cooperatives generally go only as far as a recognition of a reduction in or possible shortage of resources and relatively few enterprises take measures in the interest of producing harmony, although there are also examples worthy of recognition here. It is also noteworthy, among the causes of developmental fund problems, that 13 percent of the affected enterprises carried out a large scale wage development--over 8 percent--in 1978 and thus limited their developmental possibilities. As a result of all this unjustified financial tensions arose, on the one hand, which on the other hand the lack of harmony between production and fixed asset expansion increased further.

The increase in financial tensions is indicated by the fact that the payments discipline of enterprises deteriorated as compared to the preceding year. There are an increasing number of enterprises which do not satisfy their payment obligations or do not do so in time. Forced collections submitted by tax accounting offices almost doubled in the first 7 months of 1979 and reached 2.9 billion forints.

Of the some 80 enterprises struggling with lasting payment difficulties, deficit management in the first half year caused a large scale deterioration of the financial balance in 18. The financial balance could be restored in the majority of the enterprises struggling with payment difficulties by more careful management--for example, by reducing stockpiles. Determined efforts in this direction, however, can be found in only a narrow sphere.

The achievements and deficiencies of management in the first half year were also expressed in changes in the budgetary relationships of the enterprises. The payment obligations of the enterprises increased by 7 percent as compared to the same period last year. Payments connected with asset expenditures increased especially--the charge on assets by 9 percent and the centralized portion of the depreciation write-off by 11 percent, despite the moderation of the centralized share.

Because of the unfavorable development of enterprise profits the portion being centralized--profit tax, the city or town contribution, the wage development tax--hardly exceed the base level when combined.

The increase in supports offered to the enterprises, an increase of about 5 percent, also shows that the state is still helping enterprise management with significant sums. Among the several forms of support the ones increasing most dynamically were producer and consumer price supplements (by 10 and 7 percent respectively). The net total paid in (the difference between payments and supports) corresponds to what was planned for the period.

On the basis of the chief interdependencies of management in the first half year it can be established that processes at the level of the people's economy are in general better adjusted to the people's economic plan than they were last year. Although profit decreased, net income increased and the prescriptions of the budget were met. At the same time, in the enterprise sphere, the moderation in the rate of growth of production was not accompanied by an improvement in efficiency or profitability despite the fact that economic forces were increased to make enterprise management more rational and more economical. The reaction of the enterprises to the changed conditions is often one-sided and does not extend to every area. Thus the favorable changes in this or that area of enterprise management are not enough to increase efficiency from the viewpoint of the enterprise as a whole.

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CSO: 2500

ECONOMIC INSTITUTE OFFICIAL INTERVIEWED ON NEW PRICE SYSTEM

Budapest HETI VILAGGAZDASAG in Hungarian No 12, 25 Aug 79 pp 30, 31

[Interview with Tamas Nagy, deputy director of the Hungarian Academy of Sciences Institute of Economic Sciences, by Katalin Mogyoro: "The Ratio of Prices to Wages Reflects the Present State of Our Economic Development"]

[Text] We interviewed Tamas Nagy, deputy director of the Hungarian Academy of Sciences Institute of Economic Sciences, in conjunction with the present price increases that understandably interest the public, and from which many people expect better supply and improved quality. Tamas Nagy is 65 and has been a collaborator of his institute since 1954. He is professor of political economy at Karoly Marx University of Economic Sciences, and a doctor of sciences. He participated in the elaboration of the new price system and therefore he is competent to answer our questions.

HETI VILAGGAZDASAG: The commentators probably made things difficult for themselves when they evaluated the trends of rising prices in the capitalist countries, but without noting the fine distinctions. Now when the effects of these trends have become noticeable also in the socialist countries, many commentators often draw incorrect comparisons between the two processes. How should we evaluate these phenomena correctly?

Tamas Nagy: It is high time for a showdown with the simplifying approach, because a rise of the price level alone does not yet mean a decline of the living standard. Everything depends on whether wages are keeping pace with the prices. Not only prices, but nominal wages also rose in the developed capitalist countries. Of course, the trade unions and leftist parties did much to preserve and improve the living standard; without them, this probably would not have succeeded.

HETI VILAGGAZDASAG: Difficulty may have arisen also from the fact that we long regarded stable consumer prices as a guaranty of an improving living standard.

Tamas Nagy: Indeed, this was long accepted by theory and ideology. However, this standpoint is erroneous. In practice, considering a longer

period of time, prices are rising in the other socialist countries as well. Nor can this be otherwise. Price-raising factors are functioning in our country, too, and no economy can be isolated from the rest of the world. Of course, there is also the fact--and this opportunity should be fully utilized everywhere--that the socialist economy provides a way to keep the price level's rise moderate and within planned limits.

HETI VILAGGAZDASAG: The extent of the latest, unavoidable price increases was influenced by many different domestic and foreign factors. However, many persons questioned whether it would not have been better to avoid a one-time sharp price increase through continuous price changes.

Tamas Nagy: Most certainly, and I hope it will be like this also in the future. It is common knowledge that prices increased even before this. After the skyrocketing of world-market prices in 1973, our government strived to moderate the domestic effects of foreign prices, and this became possible only through a certain freezing, distortion of the price system. And then we began to feel also the negative effects of this price policy. The guiding and incentive functions of the producer prices declined sharply, and our enterprises did not perceive adequately the rise in raw-material prices on the world market. Consumer prices, too, became increasingly divorced from the production costs. But now--specifically because such a situation developed--a significant and comprehensive revision of our price system was unquestionably warranted. In my opinion, this is actually a price reform.

HETI VILAGGAZDASAG: Revision of the producer prices can be expected in January. Economic units of very different technical and technological levels will directly encounter the world market's value judgment. What can be expected from this?

Tamas Nagy: Certain branches of production, and within them individual enterprises, will be better able to tolerate the world market's value judgment than others. And this will depend not only on the modernness of their equipment. The economic effectiveness, profitability of our textile industry's capitalist export is unfavorable, despite the costly modernization of this industry. It is necessary to meet the competition of products from certain developing countries that are able to produce standard products at lower cost. Nor do we wish to expose our enterprises suddenly, without any cushioning, to the world market's value judgement by making the ratios of the domestic producer prices identical with the price ratios on the world market. We merely wish to bring these price ratios closer to each other and to end the situation where the Hungarian enterprise that operates with higher outlays is nevertheless able to recover its costs from the domestic price and still can make a small profit. And what is far worse, even the enterprise whose outlays were lower did not earn much more profit up to now.

HETI VILAGGAZDASAG: How will the ratios of the domestic producer prices be brought closer to the price ratios on the world market?

Tamas Nagy: This is one of the fundamental questions of the revision of our producer price system. On the one hand we must raise the domestic prices of raw materials to the level of the world-market prices; at the same time we must prevent the domestic producer prices of finished products from increasing at the same rate. In this way we will make raw materials and energy more expensive in relation to finished products and wages.

From this we expect our enterprises to operate more economically. We must achieve also that the enterprise able to export at a high price gets a higher price for its products also domestically, whereby its profitability will increase. On the other hand the products that can be imported cheaper should have lower prices also domestically, and their production should be less profitable or not at all profitable. Such domestic producer-price ratios could be developed more readily if we were to create more or less free import competition, and the cheaper imports were to depress the prices of the domestic products produced at higher cost. For the time being, however, this is not feasible, for a variety of reasons. Therefore the reform of the producer prices employs a different solution, an artificial one, in my opinion. Namely, as of 1 January 1980 the new producer prices of products made by exporting industrial enterprises will approximate the prices attained in export. Through state control and with the application of the regulations governing unfair profit, we wish to ensure in the future that changes in the ratios of the domestic producer prices will follow the changes of the prices attained in export. In my opinion, this is a substitute solution, but I nevertheless hope that it will lead to some results.

HETI VILAGGAZDASAG: The readers, of course, are interested primarily in the consumer prices. Many of them expected not only price increases but also price reductions.

Tamas Nagy: According to the plans, the prices of a few consumer goods will be reduced somewhat in the near future, but in the consumer-price system's revision there are more and greater price increases than price reductions. This is unavoidable. We must take into account that raw-material prices on the world market increased more than had been expected. Furthermore, we must end the intolerable situation that in our country, prior to the price measures, the general level of the consumer prices was lower than the general level of the producer prices, due to the numerous subsidies.

HETI VILAGGAZDASAG: You are familiar with the saying that in our country we have Western prices and Eastern wages?

Tamas Nagy: This is demagoguery. The purchasing power of wages in our country is of course lower than in the much richer, more-developed capitalist countries. The ratio of prices to wages reflects the present state of our economic development. Incidentally, in conjunction with the present consumer-price measures we proposed higher income supplementation at one time. An income supplementation which, for the population as

a whole, would have meant a slight overcompensation. But the country's economic situation has further deteriorated since then. The party and government organs obviously took this fact into consideration when setting the extent of compensation. However, the principles that we elaborated--for example, that different earnings and pensions be supplemented by the same amount, that family allowances and child-care aid be raised by a higher percentage, that one-child families also be entitled to income supplementation, etc.--were applied when the measures were adopted.

HETI VILAGGASZDASAG: A person is always partial to ideas he helped to formulate. Is this how you feel about the price reform?

Tamas Nagy: The revision of our price system is sound and even inevitable. It will produce favorable effects, but it is no panacea. From this measure alone our economy will not function more effectively, nor will our living standard rise. Therefore we must develop further our entire economic mechanism, and partially also our economic policy.

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CSO: 2500

MINISTER ASSESSES STATUS OF AGRICULTURE AT HARVEST

Budapest MAGYAR HIRLAP in Hungarian 26 Aug 79 p 5

[Interview with Tibor Lakatos, deputy minister of agriculture; date and place not given]

[Text] Tibor Lakatos was born in 1933 at Mezoladany. He graduated from the University of Agricultural Sciences at Godollo in 1958, majoring in agricultural economics. His first job was at the model Farm of the Godollo University where he was the chief accountant and deputy director. He then was appointed director of the Kiskunsag State Farm and later to be deputy president of the Pest County Council. He has been the deputy minister of agriculture and food supply since 15 Nov 78.

The coming weeks demand an effort from the agricultural workers that is even greater than that exerted in the summer: simultaneous to the ripening of the fall plants - corn, apples, many kinds of vegetables, - plowing must be done. It is well known that inclement weather lowered the wheat yield below expectations. Corn and beets, however, are promising. The summer marketing of vegetables and fruits was good for the consumer and the apple and grape yields are also promising.

Tibor Kalatos is responsible for the Agriculture and Food Ministry's control of enterprises, commerce and the immensely broad scale of international contacts. Our reporter, Nandor Keresztenyi, asked the deputy minister of these latter responsibilities in the beginning of the interview, connecting to the success of the Soviet agricultural, food industrial, and agricultural machinery fair which closed on 26 Aug.

[Question] You represent our country on the Permanent Agricultural Committee of CEMA. You are also the president of the Hungarian National Committee of the FAO [Food and Agricultural Organization (UN)] and of the Hungarian agricultural committee that is delegated to the European Economic Committee. Please review briefly these wide-ranging contacts.

[Answer] The Soviet fair, now closing, offered an opportunity to give an accounting of agricultural contacts between the two countries. Along with the exchange of goods and commercial contacts, there is an important role in Hungarian-Soviet cooperation for economic, technical, and scientific questions. The ministry has an annual agreement with its Soviet counterpart and other, regional organs which define our joint goals.

The permanent Hungarian-Soviet working group, dealing with the agriculture and food industry, was set up in 1973. It was designed to coordinate scientific research and the development bilateral of production. This working group prepared the long-term treaty for reciprocal seed and propagation production and deliveries, which is to run through 1990. The treaty helps us to obtain seeds for high-yield wheat, sunflower, and rice types from the Soviet Union for which we export corn and alfalfa seeds as well as fruit tree and vine cuttings. The 1975 treaty regulated our exports of fresh and preserved vegetables and fruits, as well as grapes, and wines through 1990. The March 1976 treaty directs us to export wheat, corn, beef cattle, hogs, and meat in exchange we receive energy namely energy carriers. Last year's poultry contract calls for the sale of two poultry-growing and two broiler chicken hatcheries by the Babolna Agricultural Combine worth 75 rubles million.

[Question] We have arrived to the very important theme of agricultural exports. Can we fulfill our obligations and directives this year?

[Answer] Still on the "foreign contact" subject: The European Economic Commission, headquartered in Geneva, and the FAO in Rome open many opportunities for cooperation. E.g., I just signed a treaty with the deputy director of the UN's FAO to train, 150 African experts, in 5 consecutive courses, from 5 African countries. There is a lot of interest in our agricultural cooperatives in the developing countries but the results of our production cooperatives are accepted even in the FAO. They regard them of a type that can be a useful example for the countries that struggle with food shortages. Concerning our agrarian exports, the product base is, with the exception of three trusts, more favorable than that of last year. We are behind in cereals, and in the canning and dairy industries--the first two due to extreme weather and the last due to unfavorable prices. The total, of, our nonrubel account product income will be higher than in 1978. This is the result of harder work in commerce. The companies sell more products from live stock, meat products, etc. The income from socialist exports will be about the same as last year.

[Question] As you just said, there will be more meat export--due to the better work on the part of the farms and meat companies. Hence, the animal stock is high. But will this not cause problems in wintering over the animals.

[Answer] We import 10 percent less protein feed in 1979 than last--yet the animal products are better. This could be achieved only by the improvement of feeding efficiency. We have reserves in using various by-products. We see a lot of initiatives in this area but local ideas can still widen the possibilities. None of these, however, can make us forget our problems. It is true that we have not yet rationed feed cereals and corn but, due to the

lower wheat crop a thriftier and more rational feed use is desirable. Only with these efforts and coordinated measures will we be able to keep the high levels of live stock whose advantages are enjoyed by the whole society.

[Question] For years, contract discipline between producers and buyers has been a matter of dispute. Has the situation improved? Has the number of violated contracts dropped?

[Answer] In general, the contacts of the two parties have improved, especially since 1977. The renewed contracting system proved to be a useful tool for the creation of production and marketing security and the existence of independent company management principles. The parties themselves decide whether they want to contract and, if they do, what type of contract will they have. The 1978 modification of the Civil Code helps to improve the cooperation just as Decree 14/1978 does, concerning the sale of agricultural products. Multi-year contracts are a new feature. They may contain joint risk-taking or profit sharing.

[Question] Unfortunately, we have already heard of problems in the above area. The Badacsony Winery has signed company contracts with several production cooperatives in Komarom County whose managers were suprized to read, the letter mailed to them by the Winery in July. The letter proposed lower prices for the contracted volume, using a curious reasoning. I quote: "In accord with the relevant decisions of the Party and the government, it has become necessary to modify certain clauses of the contract; to adjust them to the changed circumstances." There are, needless to say, no such "relevant decisions"... I believe a good wine crop is behind this foggy phrase...

[Answer] This can, indeed, occur at times. One or the other party, using narrowly-interpreted benefits to the company, attempts to shift some burden on the other party by using the national interest argument for its problem. This occurred with the Zoldert Company, a few poultry companies, and, it appears, also in the wine industry. Although I am not closely acquainted with the case, my view is that a one-sided contract modification can only be done with material-ethical consequences. For years, we have been promoting multi-year contracts; we think it is a good form which works in the majority of cases. Yet, we have to adjust to the changes of the world market. We do not decide what is needed. It is good when the foreign trade companies, the trusts that sell to them, and the large national enterprises inform the producers in time and provide an impulse to make corrective changes the production structure. By mutual communication and the adjustment of interests, a compromise can also probably be reached in the conflict between the Komarom cooperatives and the Badacsony Winery.

[Question] Allow me to mention another concrete producer complaint. What explains the difference made by the dairy industry between the state farms and the production cooperatives? The former is paid every 10 days whereas the cooperative receive mid-month advances while final accounting is made on the 12th of the following month?

[Answer] This is merely a matter of agreement. The cooperatives can also ask to be paid by the trusts every 10 days. These two complaints show that the progress of the last few years is not without problems. The faults of the procedure marketing structure, its inherited views and attitudes pose a dilemma which add to our problems. In many respects, the less favorable conditions of foreign trade created new situations. In some cases--e.g., grapes--supplies have increased. The improvement of communication, better planning and economic regulations and the increased flexibility and coordination of the activity of council organs, companies, and farms can, however, overcome all the obstacles.

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BRIEFS

PREFABRICATED HULLS--As everyone knows, the Main Center for Hull Prefabrication Processing (Centralny Ośrodek Obróbki Prefabrykacji Kadłubów) is being built over an area of a dozen or so hectares at the "Lenin" Gdansk Shipyard. The production process at the new plant will be controlled with help of a computer. During the course of one year, 200,000 tons of ship plate and steel sections necessary for shipbuilding will be processed here. The investment's main contractor is the Gdansk Industrial Construction Enterprise. [Text] [Gdansk GŁOS WYBRZEŻA in Polish 4 Sep 79 p 3]

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FINANCIAL CONTROL PLAYS CRUCIAL ROLE IN NEW MECHANISM

Bucharest ERA SOCIALISTA in Romanian No 8, 20 Apr 79 pp 38-41

[Article by Emil Hatos, First Vice President of the Superior Court for Financial Control]

[Text] An important part of our party and state's strategy for creating a multilaterally developed socialist society is the strengthening of socialist democracy, the continual broadening of the framework of participation by workers in the management of society's affairs and, additionally, the adopting and carrying out of measures to continually improve the organization, planning and conduct of socioeconomic activities.

Viewed through the prism of these strategic objectives, the planning and management methods and the entire financial-economic mechanism proved no longer suitable to the new conditions and the requirements for increasing worker self-management. They presented outdated aspects of excessive centralism in the area of decision making as well as in the formation and utilization of production funds. Having uncovered such inconsistencies and shortcomings, the March 1978 plenary session of the Central Committee of the RCP took steps of particular importance to improve financial-economic planning and management and increase the role of finance in the formation of our party and state's economic policies. During the plenary session's activities Comrade Nicolae Ceausescu, in summing up the direction and significance of the adopted decisions, explained, "The measures adopted by the plenary session take into account the increased role of the financial-banking system which provides the necessary financial means for the development of economic activity under favorable conditions. This system must direct increased attention to the proper use of these means so as to stimulate economic efficiency. At the same time it must provide for systematic and constant financial control in all areas and intervene in an operative manner to help solve the many problems which arise in life and in the multifaceted development of our economy." Such clear and firm stands are again expressed in the party general secretary's speech delivered at the conclusion of the national conference of principal representatives of the economy.

Financial Control as an Integral Part of the Process of Improvement

The actions during the present stage which relate to the improvement of financial-economic planning and management are primarily aimed at such qualitative aspects as the improvement of financial-economic indicators, planning activity and the financial situation of units of the economy as well as the strengthening of the principle of self-administration. As one of the important tools for assuring the functionality of the new financial-economic mechanism, control assumes a significant role in the success of these actions.

Control, in general, and financial control, in particular, being inseparable components of sociopolitical management, bear the obligation of insuring the provision of precise and timely information based on which the decisionmaking agencies adopt measures to correct and solve the problems that arise in the process of transforming decisions into objective reality. Emphasizing the attributes which financial control assumes in the composite of societal activities, the party program states precisely that control must insure that "society be aware at all times how the financial and material resources it possesses are being managed, how managerial personnel and labor collectives are fulfilling their tasks, and how the party decisions are being carried out and the country's laws enforced in all sectors of activity."

Control, which is exercised by virtue of society's right to protect and induce compliance with its general interests, has an all-encompassing, universal nature. In other words, it is performed in all areas of activity and at all organizational stages of the economy and in such a way that no one under any circumstances--as the party general secretary pointed out--be able to avoid this control and responsibility to society.

The activity of financial control is by definition subordinated to the accomplishment of the party's political objectives and the tasks and goals of the single national plan. Consequently, the orientation and methodology for developing the control and the techniques used for this purpose must be improved and adapted to the new requirements of socio-economic development. This means that, in principle and fact, the control itself must pass through a process of objective renewal so that it may encompass all its components and aspects.

Financial control acquires new powers with the application of the principles of financial-economic self-administration and the broadening of the attributes, powers and responsibilities of the agencies of collective management. It is called upon to increase the support it provides to socialist units in solving the problems concerning ways of increasing economic efficiency and strengthening the principle of self-financing. Self-control is to be practiced even more under the

new conditions, being an inseparable aspect of the systematic, critical analysis of all financial-economic activity. Otherwise, without adequately developed self-control, self-administration and self-management are unconceivable. This means that every production shop, section and labor collective and, above all, their supervisors must know what was produced, at what costs and with what level of labor productivity in comparison with the production plan objectives in order to be aware of causes and reasons and to act toward increasing the positive results and recouping lags in production.

However, in many enterprises self-control did not and does not function at a level to meet requirements. There results a large volume of waste, excessive consumption of supplies, failure to attain planned levels of labor productivity and other similar negative phenomena. For example, at the general meeting of workers of the Brasov Truck Factory on 16 February 1979 it was revealed from the report on the results of activities to meet the plan and through subsequent debates that production waste in the hot metalworking shops was as high as 20 to 32 percent of total production volume. At the Industrial Center for Cellulose, Paper and Synthetic Fibers and its subordinate units, the control agencies determined that the consumption of raw and unfinished materials exceeded the level set according to approved norms and standards. For 22 of the center's major products the consumption level of materials exceeded the approved norms by 163 million lei in 1977 and 44 million lei in the first half of 1978. Labor productivity did not reach the planned level and the quality of certain products was inadequate. At the Enterprise for Anticorrosive Protection and Special Equipment in Bucharest, violations of the legal provisions regarding the administration of the financial fund were discovered. The violations included the existence of larger than necessary stocks of polyesteric resins purchased abroad (with foreign currency provided for this purpose), some of which were in a state of decomposition, a lack of proper supply administration, a practice of recording the cost of administrative errors as production costs, etc. Can it really be said that in such situations self-control proved to be an active tool of self-administration? Not in the least!

Strengthening self-control in every economic unit requires a necessary increase in the role of preventive financial control in view of the superiority and effectiveness of the latter. It is, of course, much more useful to eliminate costly operations which are illegal, untimely or inefficient before they occur than to simply identify them and determine their negative effects after the fact. This is easily understood when one considers the negative influence which, for example, the immobilization of the financial resources of economic units in the form of excessive supply stockpiles has upon the possibilities of self-financing. In addition to the fact that they do not benefit those who conduct them, irrational supply operations also cause the removal of

significant material resources from the economic distribution system. However, such operations can be prevented if an exacting, preventive financial control is exercised during both the contracting-order and payment phases. The preventive financial control already conducted by the socialist units themselves and by certain outside agencies have succeeded in stopping a series of supply practices which either exceeded necessary levels for accomplishing plan objectives or did not take into account already existing stocks and technical consumption norms. For example, in 1978 of all operations involving financial funds which were stopped through preventive financial control, over 55 percent represented irrational supply practices eliminated from the contractual, ordering or payment stages. However, it must be noted that most of these were effected by agencies outside the socialist units. This indicates a need to increase local preventive financial control so that needless, untimely and inefficient operations involving the financial and material base can be promptly eliminated and prevented.

Practical application of the principle of self-financing also requires the prevention of cases in which items are put into production without an assured market or legally approved prices. Taking this into account, preventive control of such operations was organized on an experimental basis in 10 socialist units with the cooperation and support of their technical personnel. The results obtained so far confirm that such operations can also be eliminated once a greater level of responsibility by economic and technical personnel is enlisted. This fact will be positively demonstrated in the long-term results of these units.

In the process of improving financial-economic planning and management, follow-up financial control as exercised by the internal agencies of the enterprises, production centers and ministries as well as agencies for specialized financial control must begin to play an even greater role in solving the problems resulting from control and insuring better generalization and application of the experience gained in the areas subject to control.

There are two basic problems raised by the application of the new financial-economic mechanism in control activity. These are: (a) directing priority control to the accomplishment of objectives which aim at improving all financial-economic activity; (b) and increasing the efficiency of the activities of the control agencies themselves and the effectiveness of their control, which must be ultimately achieved by strengthening the dual constructive and preventive nature of control.

Priorities of Financial Control Under Present Conditions

The new financial-economic mechanism constitutes a unitary system whose functioning must address the purpose intended during the process of its

planning and approval. From this also originates the major and current objective of the entire control apparatus. This is to support the economic units in the application of the new financial-economic mechanism and prevent deviations in its functioning by actively contributing to the promotion of the principles of labor self-management and financial-economic self-administration. Encompassed in this framework are the problems of achieving production goals and increasing the value of net production. This is an area in which the control agencies have an obligation to verify the attainment of planned objectives, the causes of possible deviations from the production plan, and compliance with the methodology of production data reporting.

Last year, although most enterprises met or exceeded the value of planned net production, some economic units fell behind in fulfilling this indicator. By means of control it was determined that one of the primary causes of this failure was excessive production material expenditures. With the attainment of approved production objectives in mind, the control agencies participated in an analysis of the possibilities for reducing production costs in approximately 2,200 enterprises. Along with the management of the respective units they identified ways for reducing costs by 5.3 billion lei. A check of indirect expenditures was also conducted resulting in additional reductions of 5.2 billion lei. The latter reductions were principally obtained by eliminating unnecessary, uneconomical and illegal expenditures.

An adequate organizational framework to prevent certain expenditures and levels of consumption with direct negative influence on production costs still does not exist in a number of economic units. For example, control conducted recently in the truck, bus and utility vehicle manufacturing industry by the Superior Court for Financial Control together with financial-banking agencies revealed that some of the causes of production cost inflation were the large volume of loss in the form of rejected products resulting from noncompliance with standards of manufacturing technology, the delayed repair of production equipment, and the failure to insure the quality of certain raw materials and supplies. Increased attention needs to be paid to the control of prices set at the level of the enterprises, industrial centers and ministries, as well as by the executive committees of the peoples councils. Control is necessary because the tendency exists to overestimate expenditures for production materials when substantiating price proposals--particularly in the manufacture of unique products, thereby creating the possibility of achieving net production without great effort.

Of particular current interest is the control of personnel bonus payment funds awarded for attaining certain net production levels. This is

even more so since some enterprises have registered unrealistic excesses in the use of these funds. Such negative aspects as the submission of false data regarding the attained level of net production value, requesting of increases or additions to improperly or illegally awarded bonuses and the presentation of bonuses for special achievements in production without compliance with all conditions and criteria established to regulate bonus payments have been noted. For example, last year 3.7 million lei in bonus funds were illegally paid at the Drobeta-Turnu Severin Railroad Car Manufacturing Enterprise as a result of false reporting of achieved production. A total of 900,000 lei were illegally paid at the Forestry Operations and Transport Enterprise in Piatra Neamt by means of changing the destination of funds. And there are more cases.

As is known, from the very start of the planning period economic units must insure a balance between income and expenditures, highest possible efficiency in production and prevention of all uneconomical or needless expenditures. Under these conditions one of the priority objectives of control at the unit level involves the manner of budgeting and managing income and expenditures. The established principle is that the economic units from their own income cover all their production and distribution expenses. restore to the public all advanced funds, provide for the self-financing of their own development, stimulate the workers' personal interest in production, and take care of other expenses set by law. The task of control is to examine the actual situation and accomplishments, compare them with those from past periods and recommend possibilities of limiting expenses by promoting strict conditions of economy. The basis of controlling budgeted expenditures must be the system of norms and standards. This system has lately been diversified and expanded to include an ever increasing number of expenditure categories.

In essence, the financial-banking agencies have the responsibility of certifying that the funds established and used by the economic units are in compliance with legal standards and that the interests of both the economic units and society are respected in the allocation and management of these resources. In the absence of such control and permanent concern for the proper administration of monetary resources we would become sterile and ineffective. Also, self-financing by economic units, instead of relying on the efforts of these units, would actually become financing from the nation's general budget and the general resources of our society. This is why it is so critical to accentuate the preventive aspect of control, particularly that of banking control, and provide effective support to every economic unit so it can maintain the ability to make payments, balance returns and expenditures and attain a profit level allowing the creation of monetary resources. These monetary resources of the enterprises and industrial centers are for use in self-financing, in covering

expenditures for the social needs of their workers and in contributing to the development of society.

Particularly important tasks fall to the banking agencies. These agencies have exercised an active influence on the economic units primarily through their credit-load relationship. In the future, the banking agencies will possess even more suitable tools for contributing to the improvement of the activity of the enterprises because of an improved mechanism of loans and payments. Before awarding credit to the economic units, the banks must conduct extensive control to insure that conditions exist for the proper utilization of monetary resources and that repayment deadlines can and will be respected. Thanks to measures adopted within the framework of the new financial-economic mechanism, credit is destined to become an instrument for strengthening self-administration and eliminating the deficiencies and shortcomings which appear during the development of financial-economic activity. From this point of view it must be recalled that immobilization of material resources constitutes one of the most striking forms of poor financial management and that its continuance is incompatible with the principles of self-administration.

The control agencies bear great responsibility for protecting public property. The fact became known from the controls and analyses conducted that losses to public property mostly result from deficiencies in the activities of taking delivery, conducting inventory and administering supplies and raw materials. In numerous instances, goods are received and inventoried in a purely formal manner by persons or agencies that are incompetent or do not possess the necessary instruments for determining the exact quantity and quality of the products being received or inventoried. Furthermore, personnel in economic and technical management positions do not supervise carefully enough the manner in which administrative activities subordinate to them are carried out. Perishability standards are in certain cases very broad and no longer correspond to the current conditions created by scientific-technical progress. This results in the accumulation of inventory surpluses which then could be—and not infrequently are—stolen. Financial and administrative inventory control is not always carried out thoroughly. Also, the most efficient measures are not always established to prevent violations and bring those guilty to justice.

The existence of these and other related shortcomings has allowed a certain dishonest element to cause serious losses to public property. Strict measures have been taken against this in accordance with legal provisions. Being aware of the causes of such conditions, it is proper to draw the maximum number of lessons from them and to take every step to prevent and combat the occurrence of incidents of loss to public property.

Broadening the powers and competencies of the decisionmaking personnel at all organizational levels under the new financial-economic mechanism inspires rigorous compliance with the law, strengthening of a sense of responsibility in the administration of the public material base, determined combating of waste and losses to public property, introduction of strict conditions of economy and attainment of increased efficiency in the utilization of material and monetary resources in all areas of activity.

Increasing the Effectiveness of Control

As Comrade Nicolae Ceausescu pointed out in his speech to the plenary session of the National Council of Workers at the end of last year, the 1979 plan plays a decisive role in fulfilling the entire five-year plan. In addition to providing for an increase in production, labor productivity and other factors, many economic and social investments will have to be made and hundreds of new production units, including large chemical, metallurgical, machine-building and other industrial complexes, put into operation. In view of the dimensions of these tasks, it will be necessary in the future to act with even greater perseverance toward eliminating and preventing shortcomings, adopting a firmer stance toward those responsible for such shortcomings and acting to provide more effective support for improving labor conditions in the areas subject to control. In this direction, more attention must be paid to increasing the effectiveness of financial control, improving the style, methods and techniques of control and utilizing them with good judgment and flexibility according to the objectives pursued and the situations at the work sites.

Promoting the principles of self-administration and self-management and of labor and collective management--which constitute specific forms of affirming the democratic nature of our economy--creates the need for a high level of collective and, at the same time, individual worker responsibility within a well-defined organizational framework for developing financial-economic activity. Self-management cannot be exercised if it is not within the law. Everything that is decided and carried out must comply with the legal provisions in force. From this arises the significant role of the preventive control agencies, both those within the economic units and above them, in establishing responsibility when norms and standards involving employment and utilization of resources are violated.

The need to intensify control for the purpose of protecting the integrity of socialist property and recovering and preventing losses of socialist property is of particular importance. It is quite true that as of late financial-banking control has acted in varied and multiple ways to identify irregularities and damages inflicted upon the public material base, analyze the cause which created them and establish

measures to eliminate such conditions. The control has emphasized the fact that the movement of raw materials and supplies is not always adequately reflected in bookkeeping and that verification between work sections of economic units, the dissemination of official paperwork and the timely registering of data in the records are not sufficiently organized. From this situation results the need for strengthening the economic units' control of the individual sectors that are responsible for handling and administering supplies and materials. Particular emphasis--and here we purposely repeat ourselves--must be placed on the preventive aspect of control.

Under the conditions of generalized application of the new financial-economic mechanism the finalization of any control actions through measures intended to eliminate deficiencies and prevent their future reappearance becomes more than ever a requirement of the first order. Toward this goal the control agencies have a duty to cooperate with all responsible personnel in the economic unit undergoing control as well as with other units and agencies which can and must make their contribution to the improvement of operations in all enterprises, economic subbranches and branches.

The evaluation of control findings and their discussion and debate by the collective management bodies of the economic units inspected demands special attention. These bodies are actually those which provide the labor self-management with the conclusions that were reached and the measures which should be taken. But there is more to it than this. If necessary, the conclusions from the control must be presented for debate to the next higher leadership collective to which the economic unit is subordinate.

The steps taken to perfect the financial-economic mechanism are destined to guarantee the attainment of our party's strategic objective--the creation of a multilaterally developed socialist society. They fit in with the directives and tasks set forth in the party's program and the resolutions of the 11th Congress of the RCP. The application of these measures will undoubtedly stimulate even more rapid development of the national economy, greater increase in the national income and, thereby, improvement of the living conditions for our entire people.

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